

2x TREND WATCH

Notes and nibbles from the desktop of:

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Crossroads in Chicago. This year marked an FMI Show, held at McCormick Place May 7-9, which perplexed many attendees. In response to the question “how was the show?”, there was often a pregnant pause. In examining this, I came to two conclusions:

1. *Less Exhibitors?* Despite multi-show attendance reported by FMI at approximately 32,000 (up over 5% from 2005), additional industry icon exhibitors like Sara Lee, Hormel and Procter & Gamble were not present this year. They joined Heinz, Schwan’s and more than half of Acosta’s top broker clients who have stopped exhibiting. Certainly their collective absences were noticed.
2. *Less Innovation?* Not really. While this is somewhat counter-intuitive, consider that the mostly big company exhibitors are no longer waiting for FMI to showcase new advertising, new products or new merchandising approaches. In the 80s and early 90s, that used to be the case, but today large companies see retailers more often and do not use the shows to unveil news, nor can they afford to wait to announce significant new products at FMI. The large companies did have a number of new introductions of which one really stood out. See top of Page 2. Smaller companies, however, still use the shows to unveil products and programs. Therefore, it appears they are more innovative if you walk the show floor.

In contrast to FMI, the smaller but certainly very exciting *Fancy Food Show*, *All Things Organic* and *United Produce Expo* shows were again co-located at McCormick Place with *FMI*. No question the interest continues to grow there as “new” and “growth” remains key words. New exhibitors. Growth categories. New products. Growth ideas.



A significant but new highlight of the show was the presence of private label. Daymon Worldwide hosted a Private Label Forum on the Friday/Saturday leading up to the shows and unveiled proprietary research done in concert with ACNielsen, DemandTec and McKinsey. Furthermore, 128 first time private label exhibitors met with retailers and brokers to discuss ways to build their businesses collectively. With private label share in the US growing – for example, now at 32% for refrigerated foods – the private label presence generally and the Daymon event specifically were widely reported to be homeruns.



As the 3 day event came to a close, it was announced that the format will evolve considerably and rotate locations, possibly to Las Vegas or Orlando. FMI in 2008 would focus on an expanded world class education forum to be developed with the collaborative planning and participation of FMI members and their trading partners to include well-recognized speakers and education forums on significant issues and trends impacting the future of food distribution. It would also be the platform for a biennial presentation of significant marquee research. In 2009, the event would focus on an extensive exhibit format showcasing traditional and unique products and services, more akin to the current FMI format. The implications for co-located events like *Fancy Food Show* are unclear.

Four Interesting Themes Were Observed Across the Various Shows.

Winning In-Store. ConAgra did an outstanding job of focusing their team and retailers on the must-do priorities. But one idea really stood out. Impulse purchasing and buying off display is a major part of selling grocery products, but has always been an issue with temperate controlled products due to retailer's cost of adding coolers and lack of visibility within a cooler door. Kraft Foods, however, is highly motivated to address this issue as a result of having almost \$11 Billion in sales of refrigerated foods (according to *Refrigerated & Frozen Foods* magazine). Therefore, each 1% growth is worth over \$100 Million! Therefore, the single biggest idea on the FMI side of the building was Kraft's *Pallet Cooler* program. Not sexy, but a huge idea. This disposable corrugated unit comes loaded with product and is set on top of a *Chep Pallet* so it's perfectly ready to drop as-is on the retail floor. Once batteries are inserted on the side and the unit is activated, the cooler will keep product refrigerated for 12 days. No electricity needed. No worrying about Kraft getting the unit back. It's



mostly cardboard. Tossed upon completion. Kudos. Great idea.

They're Back! Originally developed in the 1960s by the self-described "wacky chemists" at Emerson Drug Company, *Fizzies* was a joy for kids and adults. They figured out how to combine fruit flavoring, sweetener, citric acid and sodium bicarbonate (similar to baking soda) into a magical tablet that "fizzed" when dropped into a glass of water – resulting in an instant sparkling, effervescent fruit drink! *Fizzies* was made in grape, cherry, orange, punch, berry, lemon-lime, and root beer flavors and 8 tablets cost 19 cents. Unfortunately, to the dismay of its fans, *Fizzies* contained the sugar substitute cyclamate which was banned by the FDA in 1968 when research showed that cyclamates caused cancer in laboratory animals. But, now they're back! Sweetened with sorbitol and better than ever, *Fizzies* is ready for all to enjoy thanks to entrepreneurs in the Twin Cities. Ah yes – *Fizzies!*



Shortly after the Dot Com bubble burst, a great but small Bay Area company also went bust. Not because they were buying Superbowl ads, but because they were expanding too fast and got ahead of themselves from a capital standpoint. And, our sweet toothes (or would that be sweet teeth?) lost out!! *Just Desserts* was a rare find in the grocery store: pure decadence at a reasonable price and broadly available in Northern California. I'm sure they will be again. And, if they make it to the Midwest, I'll be first in line for their yummy goodies (and then at the gym I guess).

Sprayed Not Poured. James Bond would approve, I think. And, it seems to be all the rage. Spray salad dressing from *Wish-Bone Salad Spritzers* and spray cooking oils from *Mazola Pure* do an excellent job of portion control for those trying to add the minimum amount of flavor needed to get the desired result. Plus Old Fashioned Foods Corp unveiled aerosol cream cheese. Hmm. What's next?



Borrow Me a Biz. Licensing a trademark continues to be a popular and successful way to build a business.



Many new concepts were showcased including *Panda Express* Asian salad dressing. But, a new licensed line that was tough to miss arrives just in time for grilling season: *Budweiser* branded basting, barbecue and wing sauces. Under license from Anheuser-Busch to Vita Food Products, these sauces were created by Certified Executive Chef Brent Wertz at Anheuser-Busch's Kingsmill Resort in Williamsburg, Virginia in conjunction with AB brewmasters – and were aggressively cross promoted between the two exhibitors' booths and hopefully at grocery stores, too. I'm ready to fire up the grill with my sample of Beechwood Smoked BBQ Sauce! Y'all welcome to come over ...



Other Noteworthy Items.



Following Up Naturally. After the news from *Natural Product ExpoWest* in March 2006 (see News section of www.2xManagement.com), *Pom Wonderful* extends their delivery of antioxidants with *POM Teas*. Aside from tasting terrific, the use of packaging continues to be a hallmark of their brand. Like the jellies of yesteryear housed in re-usable drinking glasses, *POM Tea* comes in a glass container that is a fairly traditional glass once the cap is removed. Very delicious, very clever, very reusable and very POM!

Tasty Fixins. Why didn't these come along sooner? *Athenos Pita Chips* – great flavors as a snacking companion to the hummus and dips business. *Zatarain's Microwavable Complete Meals* – ready-to-heat microwavable rice is a great innovation from Masterfoods, PepsiCo, and others. But, the McCormick's unit has complete entrees such as Jambalaya in ready-to-microwave pouches. More center-of-the-plate is good news!



Catering to Kids. *Lifeway* continues to expand its portfolio with a kid targeted *Lifeway ProBugs* organic drinkable kefir line. Specific kid formulas and kid friendly packaging. Being the kid that I am – I'm ready – but we'll all have to wait for the product to reach retail next month.



Adult Beverages! *Big Shott's Edible Shooters* is the answer to a problem we've probably not had since college – cleaning shot glasses. Resembling a miniature ice cream cone, you do the shot and just eat the shooter "glass". I must say it seemed like just what the doctor ordered after three long days of walking the show floor. Bottoms-up!

This was logically followed by an organic beer chaser. Well, two ... *Stone Mill Pale Ale* (Crooked Creek Brewing – Portsmouth, NH) and *Wild Hop Lager* (Green Valley Brewing – Fairfield, CA). Excellent tasting micro-brewed beer made from organic certified ingredients and in USDA organic certified plants. What is lesser known is that both breweries have distribution agreements with Anheuser-Busch. Very clever move for the King of Beers. Prove the concept and acquire them?

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 under the News section at www.2xManagement.com.

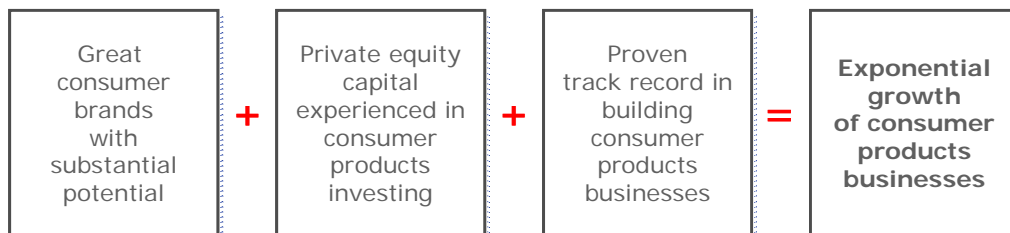


INVESTING IN AND OPERATING CONSUMER PRODUCTS BUSINESSES FOR EXPONENTIAL ANNUAL GROWTH

Overview

2x Management invests in consumer products businesses capable of growing exponentially via infusion of capital and management expertise. 2x Management brings proven leadership in building consumer products businesses.

Formula for Success



Investment Profile

Branded consumer products businesses with \$20–200 million in revenue. Focus areas include food and beverage, organic/natural and ethnic products, pet care, and other non-durable branded consumer products.

Management Resources

2x Management brings extensive consumer products industry experience in building established businesses, transforming under-performing businesses, and creating new businesses. Seasoned consumer products leader is ready to help companies realize full potential. 2x Management can provide functional support or management team members depending on the needs of the business, including Operations, Finance, Marketing, Sales or others as appropriate (e.g. Strategy, IT, R&D).

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