

2x TREND WATCH

News, notes and nuggets from the desktop of:

Andrew S. Whitman, Managing Partner

1634 N. Larrabee | Chicago, IL 60614

Phone: 312.337.9085 | Fax: 312.873.4509

May 2007

asw@2xManagement.com | www.2xManagement.com

A Tale of Two Shows. Regular attendees of the combined industry tradeshows know that the focused shows like *All Things Organic (ATO)*, *Fancy Food Show (FFS)* and *United Fresh Marketplace (UFM)* have prospered and also benefited from being co-located with the larger *Food Marketing Institute (FMI)* show, even as *FMI* has been in deep decline for many years. (See “Crossroads in Chicago” in 2x *TREND WATCH* – May 2006, available in the *NEWS* section of www.2xManagement.com). The “smaller” shows, especially *All Things Organic*, seemed to be the winners – both in terms of dramatically increased exhibitors (*ATO* up 36% and bursting at its spatial seams) as well as tremendous retailer interest (plus marketers of all types eyeing the innovative smaller companies).



FMI has a noticeably different feel than ever before as many more large companies (including Sara Lee, ConAgra, P&G and PepsiCo) were not present. Smuckers and McCormick stepped up nicely with increased presence while smaller companies like Ruiz Foods and Jel-Sert garnered prime locations just inside the entrance. As *FMI* continues to map out its role and future, it begins rotating locations and alternating years. Next year will be quite interesting as *FMI* moves to Las Vegas while *ATO* and *FFS* stay in Chicago. The role for focused shows like *ATO* and *FFS* will likely grow as these exhibitors desire time with customers while retailers seek out the more innovative new products. The biggest challenge will be maintaining attendance, a move *ATO/FFS* smartly started this week by offering free badges to those in attendance who registered for that privilege.



* * *

The following are overall themes and noteworthy observations across the various shows ...

Fresh To Your Table? The Sholl Group is using the “f word” in the context of fresh. Also a licensee of the *Green Giant Fresh* name for produce, Sholl unveiled the *FRESHTABLES SteamPerfect* line designed to break out from the pack of branded produce businesses. Each of the nine SKUs come complete with perfectly cut produce and sauces that steam in the microwave in just 2 minutes thanks to the “self-steaming pouch” with a special “valve” that allows steam to release. Sholl (and *Birds Eye STEAMFRESH* that previously and quite successfully changed frozen vegetables) helps us steam veggies easily, which retains more nutrients than any other preparation method. The combination of fresh and easy steaming is a powerful one. Ahhhhhh. freshtables.com



Next Generation of SuperFoods? Those in the industry and especially regular attendees at *Natural Products Expo* and *Fancy Food Shows* see pomegranate and açai as “old”, “boring” and “done.” But, most Americans are only somewhat aware of pomegranate and probably not at all aware of açai. Thanks to leaders like *POM Wonderful* (pomegranate) and *Sambazon* (açai) they will. (See “Antioxidants in the Mist” in *2x TrendWatch – March 2006*). The

superfood flavors are also just starting to emerge in mainstream foods as well, such as *Haagen-Dazs Reserve* ice cream (Brazilian Acai Berry and Pomegranate Chip flavors), *Ocean Spray* beverages (CranPom blend) and *Lighthouse* salad dressings (Pomegranate Blueberry Vinaigrette flavor).



Looking out several years across the horizon, the next generation of new/non-traditional beverages (and then food flavors) could come from flowers and plants as opposed to fruits.

One likely candidate is aloe, currently predominantly from Asian companies like Tulip International’s *T’Best* brand. Aloe is naturally sweet and a vibrant but not electric green hue (thereby not requiring added sugars or artificial colors). Naturally high in vitamins, minerals, enzymes, sterols and amino acids, aloe is also very tasty. It blends well with other juices and probably would make

a terrific “aloe-tini” cocktail, too!!

tulipint.com



Another possible source of nutritionally charged and explosive flavor is essential rose nectar. Consumed for thousands of years in the Middle East and Asia, rose nectars are high in vitamins (particularly C) and antioxidants. Exceptionally fragrant, *Sence Nectar* is harvested and distilled in central Bulgaria and sold predominantly (today) as a mixer. You’re in luck if you live in or visit Nevada or surrounding states where it’s predominantly sold. What happens in Vegas, stays in Vegas?

sencenectar.com

Busy Meeting Place. The intersection of organic and other trends have produced some interesting and potentially exciting products, most of which have no sales yet but were exhibiting as their “coming out party”. The products appear more likely to be synergistic than incompatible, as they target similarly educated and/or high income consumers.

Organic and Ethnic

- *El Bravo Tamale Co.*
 - 3 varieties of yumminess
- elbravotamale.com



Organic and Non-Food Items for Kids

- *Kiddopotamus SWADDLE ME*
 - Organic fabrics in traditional childcare products
- kiddopotamus.com



Organic and Big Brands

- Many more big brands having organic extensions, including *Kraft* salad dressings
- kraft.com



Other noteworthy observations ...

Seismic shift in energy drinks? With sales of over \$500 million in grocery alone and almost \$2 billion total, energy drinks are an explosive category that continue to grow at an annual rate in excess of 50%. With all the entrants (old and new), do we really need more? Well, *Stonyfield Farm* developed an organic dairy-based energy drink that is delicious. Deriving the boost from açai instead of caffeine, the energy gain is more sustained. If *Stonyfield* is successful at gaining distribution where the grab-and-go consumer purchases energy drinks (three quarters of the category is sold in non-traditional channels), this could be a big business in the future.

shiftenergy.com



WOW in eco-friendly packaging. Why buy five 1 liter PET bottles of water to store in your fridge (and dispose of) when you can have a *GLACIA Icebox* (called *Isboks* in the UK), a 5 liter eco-friendly “box” that’s easier to carry and more compact to store. The box and corn-based (non petroleum plastic) “bib” (also known as a bladder – similar to a wine in a box) are fully biodegradable and compostable. The handle and spout are recyclable. Good idea, good for the planet and thirst quenching too!

glacia.co.uk

Sipping your way to prosperity? As a kid friendly flavoring for milk, this patented innovation is a clever twist on milk-enhancers, a category that’s entirely made up of powdered or liquid/syrup “mix ins” like *Nesquik* and *Hershey’s*. Introduced by Jel-Sert using patented technology from Australia’s Unistraw International, *Sipahh* works by placing small “Unibeads” into a drinking straw, which release flavor as kids (and big kids!) drink through the straw. Recall a product from 1950s-60s called *Flavor Straws* or *FlavoStraws*? In any case, pretty cool and tasty too! Imagine what could be next: energy, vitamins, nutrition or pharmaceuticals sipped via other beverages?

sipahh.com or jelsert.com



Edible Flashback? Finally, I sampled an *Oreo Cakesters*. It reminded me (and others who grew up in the northeast) of *Devil Dogs*. Just to be sure, I ate a second. Sorry, no picture here. I ate that too!

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 in the NEWS section of 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?

A handwritten signature in cursive that reads 'Andy'.

May 2007



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

Andrew S. Whitman, Managing Partner

Phone: 312.337.9085

Fax: 312.873.4509

asw@2xManagement.com

www.2xManagement.com

1634 N. Larrabee | Chicago, IL 60614