

**2x TREND WATCH**

News, notes and nuggets  
from the desktop of:

Spring 2010

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**Whole Different Ball of Wax (Naturally Harvested and Sustainably Packaged, Of Course).** Increased attendance and positive outlooks were clearly the commonalities of three activities we participated in over the last two weeks. In attending *ExpoWest*, the Super Bowl of trade shows for the natural products industry held annually in Anaheim, attendance hit all-time record level of 56,000 industry attendees (+5% vs. prior high) with consistently strong buzz associated with a marketplace that grew again in 2009 despite the soft economy. Squeezing down some aisles sideways was the order of the trip! Separately, the *International Home + Housewares Show*, an annual event held in Chicago, showed double digit increases in both exhibitor participation and buyer attendance with all involved expressing cautious optimism for 2010 and beyond.



Finally, this past weekend I again helped lead sessions at a forum for entrepreneurs in consumer products and many other industries organized by Gary Hirshberg (*Stonyfield* founder and CE-Yo) and Michael Swack from the *Carsey Institute* and the *Whittemore School of Business and Economics* at the University of New Hampshire that's called the *Stonyfield Institute*. It's a terrific event where current and wannabe entrepreneurs hear "Tales from the Trenches" from Gary and others about what went right and more importantly what went wrong along the way. Rather than being a day and a half of talking heads, the preponderance of the time is dedicated to "case studies" where founders present current issues and get input from industry/functional veterans and audience members alike. The great thing is that most cases were broadly applicable to the attendee population regardless of industry. No question, this room full of self-proclaimed "crazy and wildly-optimistic" sorts will yield interesting businesses, as was the case with a founder of *[me] and goji* (see below) who attended two years ago when the business was just an idea.

Across these events and other outside activities, we believe two trends will emerge onto the broader scene ...

**Crazy For Coconuts.** Many in the industry have been watching the emergence of coconut foods and beverages with great interest. Thanks to new products and new investments, we believe there will finally be a breakout. Why coconut and why now? For starters, various forms of beverage and foods have very specific and easy to comprehend benefits. Coconut water, for example, is a natural rehydration beverage ... a no high fructose corn syrup (HFCS), lower calorie and, for many, better tasting version of *Gatorade*. Most notably, over the last year or so, the three leading coconut



water brands have received sizable investments from some combination of Coca-Cola, PepsiCo (*Gatorade* owner), private equity firm *Catterton Partners* and/or a group of high profile celebrities including Madonna, Matthew McConaughey and Demi Moore. Importantly, the *Zico* brand launched a plastic (high density polyethylene or HDPE) reclosable bottle; previously all coconut water was packaged in Tetra Pak aseptic drink boxes. This package format alone will allow for broader distribution and help to mainstream the category for themselves, *O.N.E. Natural Experience* (which launched *O.N.E. ACTIVE* – a natural sports drink that adds energizing herbs/minerals to hydration properties) and *Vita Coco*. While the *Zico* product is a bit different from their drink box offering (different sourcing, use of concentrates and slightly different taste profile), it maintains the coconut water promise and will certainly facilitate expansion of the category.

[zico.com](http://zico.com), [onenaturalexperience.com](http://onenaturalexperience.com), [vitacoco.com](http://vitacoco.com)

In addition, there's an emergence of coconut water inspired foods, including the yummy *So Delicious* Coconut Water Sorbet. Made with organic coconut water and sweetened with organic fruit juice concentrate, the sorbet is naturally cholesterol free and only 100 calories (well – not the portion I ate!) and zero grams of fat per serving (so maybe you cannot tell how much I ate ☺). Of course, like all *So Delicious* products, this one is completely dairy-free. Take note: while counterintuitive, coconut water and coconut water sorbets will be loved by people that do not like coconut (such as one of my colleagues). Too bad, or I could have had mine ... and his!

[turtlemountain.com](http://turtlemountain.com)



Finally, harvesting a different part of the coconut leads to making some of the most delicious ice creams I've ever had. A leader in coconut milk ice cream is the appropriately named *Coconut Bliss* brand from founders Luna and Larry. *So Delicious* and other producers also make "oh so delicious" offerings. Make sure to try the *Coconut Bliss* Chocolate Hazelnut Fudge and Naked Almond Fudge (sense a trend?) flavors among others. I did. Several times! Fantastic!

[coconutbliss.com](http://coconutbliss.com)

**Have It Your Way.** No, not referring to either the kids that mixed a little of every soda flavor from the fountain or the Burger King advertising of yesteryear, but the emerging world of mass customization. I've been following this all the way back to my days in the

corporate world when big companies wanted to do this but the high speed/low cost manufacturing infrastructures often had little flexibility or ability to customize. That said, I recall one great promotional example where kids (or their parents I guess) could send in a photo and have their faces on the front of a case of *Kraft Mac & Cheese* boxes sent to their homes. But what about getting the products customized exactly the way you want them? We're quite excited by some emerging companies (and technologies that aide in the process).



Notably, *[me] and goji* is a tiny start-up run by passionate entrepreneurs – recent Northwestern graduates and New Hampshire residents – that allow you to have artisanal cereal exactly the way you want it. Choose from any of the 50 premium quality, all-natural ingredients available on their site to make your cereal or granola. Most impressive (beyond the founders) is the website which shows the nutritional information recalculating every time you add or delete an ingredient. Neat packaging in cereal "capsules" too. Very cool ... and delicious cereals!

Other emerging examples of mass customized consumer products businesses include:

- Personal care is screaming for a personalized solution – right? *Grateful Body* of Berkeley agrees. Add an anti-bacterial component to your cleanser. Or, address the skin's inflammatory response (and redness) to acne with a nutrient dense botanical additive to sooth, calm and heal the face for less flushed complexion.
- Two other great food examples: *Element Bars* (as seen on *Shark Tank* tv show), Chicago-based providers of customized snack and granola bars and *Chocri*, German purveyor of customizable chocolates with more than 10 billion (!) possibilities; however, I imagine some of the combinations would be inedible (although like the kid at the soda fountain that overmixes, I might not admit it).
- Did you know that the *Adagio* tea folks have a custom blending business too? Try a Ceylon Sonata + Snowbud White with a hint of blackberry? The functional and/or relaxing combinations are endless ...
- There are even great customizable handbags from *Laudi Vidni* – easy to see online with their great website.

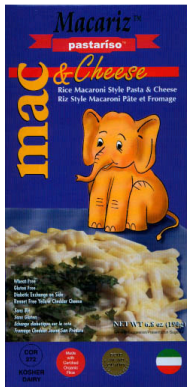


Finally, it took a team in Amsterdam to develop *milkorsugar.com*, the most comprehensive reference site for customizable products across categories far and wide. Could get lost there for hours ... and maybe you'll emerge!

[meandgoji.com](http://meandgoji.com), [gratefulbody.com](http://gratefulbody.com), [elementbars.com](http://elementbars.com), [createmychocolate.com](http://createmychocolate.com), [adagio.com/signature\\_blend](http://adagio.com/signature_blend), [laudividni.com](http://laudividni.com)

Finally, here are a series of noteworthy items to watch for ... or try!

- *Nellie's Dryerballs* – exactly what it sounds like – and PVC free too. Now, with the option to add/replace the all-natural fragrance (essential oils only) stick.
- *Pastariso* – gluten-free pasta and cheese dinners. While *ExpoWest* could have been renamed the Gluten Free Show in some senses, this line stood out for its simplicity (the pasta was nothing but whole grain rice flour – no small technical challenge) and taste (neither mushy or cardboard-y).
- *Julian's Recipe* – authentic Liège-style frozen Belgian Waffles from Alex Dzeduszycki (previously founded *Terra Chips* and *Alexia Foods*). Named after his son, these recipes traveled quite a long distance to land (repeatedly) in my mouth! WOW!
- *Inko's White Tea* – a favorite of ours for years now offer products in aluminum cans (in addition to their glass bottles) and received NYC School authorization to much fanfare from the Chancellor.
- *The Mediterranean Snack Food Co.* – continuing our discussion from January (see archives at 2xPartners.com), these Baked Lentil Chips are amazing. Great taste, 70% less fat than regular chips, a good source of protein and fiber ... plus naturally gluten free. You'll have to buy your own since I ate all mine.



[nelliesallnatural.com](http://nelliesallnatural.com), [maplegrovefoods.com](http://maplegrovefoods.com), [juliansrecipe.com](http://juliansrecipe.com), [healthywhitetea.com](http://healthywhitetea.com), [mediterraneansnackfoods.com](http://mediterraneansnackfoods.com)

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Hope these thoughts are helpful. If I can add perspective, please feel free to contact me at 312.629.5248 or [awhitman@2xPartners.com](mailto:awhitman@2xPartners.com). A comprehensive archive of notes from prior trade shows of all types can be found in the news section of [www.2xPartners.com](http://www.2xPartners.com).

As you can see on the following page, we're partnering with and providing growth capital to emerging consumer products businesses (like *gDiapers*, the only 100% certified biodegradable and compostable diaper – [www.gDiapers.com](http://www.gDiapers.com)) ... have ideas? Contact us.

(By the way – many of these products can be ordered via the internet or are available at your local natural food stores and/or conventional stores. Check the company websites for “where to buy”.)

A handwritten signature in cursive that reads 'Andy'.

Spring (Finally!) 2010

## OVERVIEW

2x Consumer Products Growth Partners joins with founders and management of emerging consumer products businesses capable of growing exponentially via an infusion of capital and management expertise.

<b>Focus:</b>	<b>Categories:</b>	<b>Due To Our Growth Perspective, Businesses Are Likely To Have Characteristics Of:</b>
	<ul style="list-style-type: none"> <li>✓ Food</li> <li>✓ Beverage</li> <li>✓ Personal Care</li> <li>✓ Home Care</li> <li>✓ Pet Care</li> <li>✓ Other Branded Consumer Products</li> </ul>	<ul style="list-style-type: none"> <li>✓ Natural</li> <li>✓ Organic</li> <li>✓ Ethnic</li> <li>✓ Specialty</li> <li>✓ Gourmet</li> </ul>
<b>Revenue:</b>	Primarily within the \$1 million to \$15 million revenue range; Never pre-revenue businesses	
<b>Ownership:</b>	Minority ownership stake as part of a partnership most common; Majority interest or complete buyout not atypical	
<b>Investment Criteria:</b>	<ul style="list-style-type: none"> <li>✓ Founders/management team seeking a partner, not just an investor</li> <li>✓ Powerful consumer-driven positioning with exceptional product fulfillment</li> <li>✓ Strong sense of “proven-ness” based on in-market performance</li> <li>✓ Exponential growth potential to at least \$30+ million in revenue within 3 to 5 years</li> <li>✓ Categories that immediately leverage our expertise</li> <li>✓ Attractive go-to-market approach leading to sound long-term financial proposition</li> </ul>	

## FORMULA FOR SUCCESS



## VALUE-ADDED RESOURCES

2x Consumer Products Growth Partners bring more than 250 years of directly relevant expertise to complement and support founders/management. We leverage our industry expertise, contacts and connections for the benefit of the companies. Our experience and operating approach is the main attraction for entrepreneurs.

*“The unparalleled depth of experience in the industry is helping gDiapers achieve our goals ... business, social and environmental.”*

– Jason Graham-Nye, CEO/dad and co-founder, gDiapers

## CONTACT INFORMATION

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