



I Know this Much is True: Common Sense Rules for Smart Companies

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- Advisory work in assisting bringing natural, organic and specialty products to market across most classes of trade
- Write business plans for raising capital and growth strategies for management teams
- Co-Author/Publisher of the *Natural Products Field Manual, Eighth Edition*
- Co-produce and co-lead seminars on “Becoming a More Effective Sales Manager in the Natural and Specialty Channel” and “Financing your Consumer Products Company”
- Serve as outside director of: EcoFish, Orgain, Saffron Road, King Arthur Flour and Farmwise
- Advisory Board: Go Veggie, Soapbox Soaps, The Chaat Company
- Former director: Stonyfield Farm, Equal Exchange, Stirrings, FoodState,
- Former Co-chair, Specialty Food Association’s Natural and Organic Council
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- Prior to consulting was VP Sales and Corporate Development for Stonyfield Farm for 11 years.

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Natural Products Field Manual *Eighth Edition*



- Complete, comprehensive, 4 volume, guide on “how to go to market” for natural, organic and specialty products
- Includes Flash Drive with directory of top natural retailers, mass-market natural buyers, distributors, brokers, industry resources, budget models, new item forms and store logos
- Practical, proven, best practices shared and illustrated by industry veterans
- Rich, insightful guest editorials by notable natural buyers, brokers and CEO’s
- \$100,000 in coupons
- Half Day consulting by author
- www.NaturalConsulting.com

Setting the Table

- The following is a compendium of my bad judgment, blown calls and expensive ~~mistakes~~ learnings.
- Boiled down observations and assorted
 - Proverbs
 - Maxims
 - Aphorisms
 - Adages
 - Bon Mot's

PLANNING

“First Things First, But not Necessarily in that Order” – Dr. Who

- Is what I am offering innovative and meaningfully differentiated?
 - so that you are not viewed as a “me too” and there is a real reason to be
 - Is your product *remarkable*?
- Do I have rewarding and forgiving gross margins?
 - 40%+ (Net sales – COGS)/Net Sales ~ weighted average by sku and channel
 - so that you have a fighting shot at profitability and a sustainable business and can fund brand building efforts?
- Cracked the code of selling off the shelf?
 - Validation and traction - optimal selling price, where to merchandise, how to promote and demo, how to tell your story to the trade and consumer, - by getting into a few stores and seeing evidence that it actually sells off the shelf. Ideally in your backyard.

Have a Relentless Focus on Velocity

- Evidence of product/market fit.
- Pilot (ideally in your backyard) first
- Go narrow and deep
- Use available data (WF Portal, SPINS, Dist.)
- Not only indicates a healthy viable business but one people want to invest in and buy.
- How do you become part of someone's routine?

Understand the Breakeven Formula for your Business

- The basic breakeven calculation is
(Fixed Cost/Contribution)
- **Contribution** is defined as (Sales-Variable Costs)
- **So: Breakeven = $\frac{\text{Fixed Costs}}{\text{Sales} - \text{Variable Costs}}$**
- Carry it around with you everywhere – but only one factor in decision making

Breakeven Example

- Example: I make it for \$4.00 (Cost of goods + VC (commissions + shipping)), I sell it for \$8.00 (after any promotional allowances, cash discounts and any spoils or returns), thus my contribution per case is \$4.00.
- How many cases do I need to sell to pay for the \$1,000 slotting investment (or ad, or demo, etc.)?
- $\$1,000/(\$8.00-\$4.00) = \$1,000/\$4.00 = 250$ cases

Do Your Homework

- Brokers
- Advisors
- Peers
- SPINS, IRI, Nielsen
- Trade publications and newsletters
- Do homework on:
 - What is happening in the category?
 - Who is the appropriate distributor for a given customer
 - What support/programs are retailers and distributors looking for?
 - How much time do I have to make it?
 - What is the best spend?
 - How do my numbers tell my story?

Agreeing on Expectations

- Brokers
- Brand Management companies
- Key employees
- Service providers

- “What do you think is realistic to achieve in the next 90 days, six months, 12 months”
- “What resources will you need to accomplish them”
- Review process to ensure accountability for results

Setting Goals and Objectives

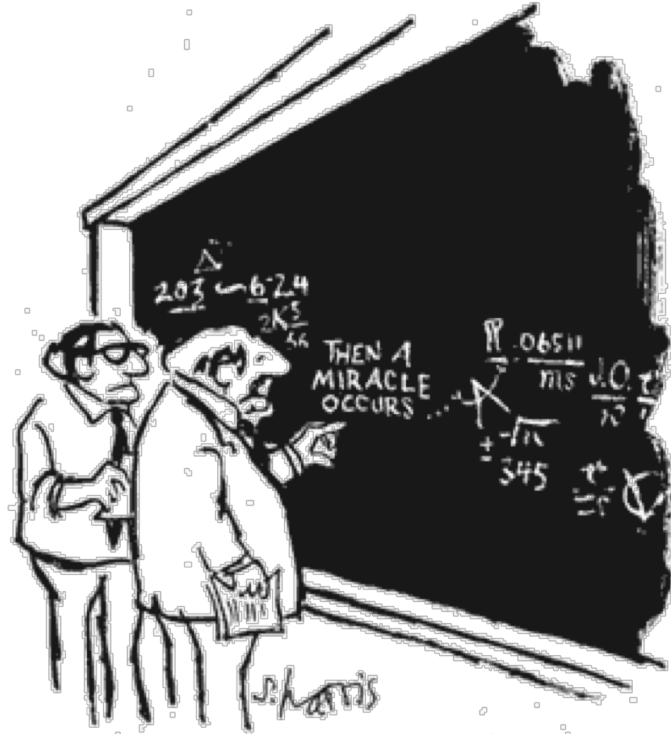
S.M.A.R.T. Goals

- **Specific.** Include enough detail that someone else could explain your goal to you.
 - **Measurable.** Include numbers so that you can monitor your progress.
 - **Achievable.** Make sure the goal is realistic.
 - **Relevant.** The goal should relate to your life or business mission.
 - **Time-specific.** The goal must include a deadline or a rate.
-
- **S.M.A.R.T. goals** are infinitely better than “increase sales”, “sell in new items”, “set up deals”, “expand distribution” etc.

Thoughts on Strategy

- Have clarity on your objectives, timeline, resources – work backwards to build a plan
- “Choosing what *not* to do”
 - Michael Porter
- “Everybody has a plan until they get punched in the mouth.”
 - Mike Tyson
- If I wanted to put my company out of business what would I do. If I was a competitor how would I attack myself?

Avoid A.T.A.M.O.™ Moments in your Planning



"I THINK YOU SHOULD BE MORE EXPLICIT HERE IN STEP TWO."

MARKETING AND INNOVATION



Story Telling

- Authenticity is the foundation for a genuine brand that resonates and makes an emotional connection with consumers.
- “Consumers want stories not facts” – Hartman Report
- Consumers want to know whose passion brought these products to market.
- Share backstory, creation myth, values - in most large CPG, there is “no there, there”.

S.O.B.

- Who is your S.O.B.
 - “Source of business”
- What will people buy you instead of?
- *Donor brands*

Heavy Users

- Not all consumers are created equal
 - Which consumer segments represent a disproportionate amount of your sales and profits?
- Think 80/20
- Who are my core heavy users and how do I find more people like them?

All Consumers Are Not Created Equal by Garth Hallberg. (320 pages, John Wiley & Sons, 1995)

Innovation

- It is not about identifying unmet needs in the market – it is about creating products consumers cannot resist
- When it comes to flavors and taste – will you eat a whole bowl of a snack or drink the whole bottle of a beverage?
- As a platform, where can you extend your brand into new categories?

Investing in Transformational Products Yields Highest Returns

CORE:

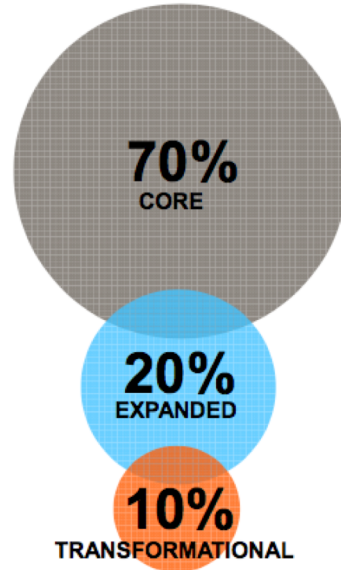
Optimizing existing products for existing customers.

EXPANDED

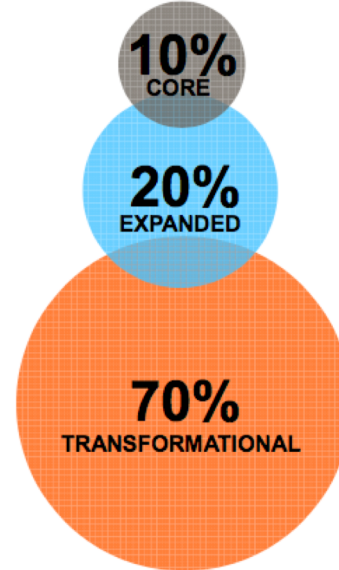
Expanding from existing business into "new to the company" business/areas.

TRANSFORMATIONAL

Developing breakthroughs and inventing things for the markets that do not yet exist.



INVESTMENT IN INNOVATION



RETURN ON INNOVATION

Outperforming firms typically allocate about 70% of their innovation resources to core offerings, 20% to adjacent efforts, and 10% to transformational initiatives. As it happens, returns from innovation investments tend to follow an inverse ratio, with 70% coming from the transformational realm.

PEOPLE



When it is not working, move on

- Like in life, sometimes...
- Hire slow, fire fast
- The sky won't fall
- What did we learn?

Boards

- Where you go to get your answers questioned.
- Everyone should have an advisory board
- When you have institutional investors you will have a formal governance board.

Boards want to Know Three Things

- What's going right
- What's going wrong
- What do you want the board to do?

- Also
 - Don't surprise your board
 - What are the action items at the end of a board meeting?
 - » Guy Kawasaki, Art of the Start

Culture

- Strategy
- No – all about execution
- A great culture enables great strategy and execution

ASSORTED BON MOTS

Lightning Round

- "Cash flow is a fact, net income is just an opinion"
- If Whole Foods = 1X, TJ's = 10X, Costco all regions 100X
- Cannibalize yourself before the competition does
- EQ counts more than IQ
- Analysis without action is BS
- Vision without execution is hallucination
 - Walter Isaacson

Covering your Butt

- Good fences make good neighbors
- “Clear, concise, written communication.”
- From the immortal advice given by Henry Kissinger to Richard Nixon during the darkest days of Watergate: *“Any bad news that will come out eventually should come out right now.”*
- Review distributor agreements thoroughly – understand what you are agreeing to.

My 2 cents

- There is a lot to be said for generosity. This might be helpful advice, introductions, sharing lessons learned. The best definition of networking is understanding how you can help somebody else and paying it forward. It always works out.

Always Remember

- Never get involved in a land war in Asia, but only slightly less well-known is this: never go in against a Sicilian when death is on the line!



Ever tried. Ever failed. No matter. Try again. Fail again. Fail Better - Samuel Becket.

