

Natural products enjoy a growth spurt

Business tools help entrepreneurs in expanding category

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SMALL BUSINESS

It might be hard to imagine how a man making a couple hundred burritos a week and selling them to rock climbers in Colorado's mountains goes on to build a business distributing his product in thousands of grocery stores around the nation.

But Evol founder Phil Anson's "classic entrepreneur story" resembles those of many others starting natural-products businesses. They make up a growing breed of entrepreneur driven by passion for making the world a healthier place, starting with the food we eat and the products we use on our bodies or in the home.

Sales of their products are growing twice as fast as conventional ones, according to New Hope Natural Media. Industry events such as last month's Natural Products Expo East in Baltimore are likely to attract private-equity investors, venture capitalists and corporate investment entities to the next probiotic beverage, kale chip brand or mineral makeup line.

"Food is at the nexus of so many issues key to consumers," says Ellen

Feeney, a WhiteWave Foods executive and president of the non-profit industry group Naturally Boulder. "This isn't going away, and the big companies and financial institutions realize that."

For aspiring entrepreneurs, natural foods and products are still the next big thing. Despite increased competition in nearly every category in the store, there are more resources out there to make a go of it.

New Hope last month launched the NEXT Accelerator, a subscription-based online resource for start-up natural-products companies that offers videos and articles by experienced entrepreneurs; tutorials, spreadsheets and documents for legal and regulatory needs; and a directory of manufacturers, distributors and other vendors.

The accelerator was created in response to the large number of new companies attending its expos. In 2013, more than 1,000 new companies launched products there, says Adam Andersen, New Hope's group show director. That's a 10% increase over 2012.

NEXT's start was also a recognition that building a natural consumer brand is tough, even though more consumers want the products. There are fewer spots in the grocery aisles that some natural brand hasn't already claimed. More regulations and certifications are either required or encouraged for the newest generation of start-up food companies.

On the financial end, major corporations such as Coca-Cola, PepsiCo and General Mills have created investment arms to take a stake in or acquire natural brands. Many more



Phil Anson founded Phil's Fresh Foods in 2002 and renamed it Evol Foods in '09. Evol sells frozen burritos and meals in grocery stores.

companies are stealthily creating similar funds and initiatives to strategically invest in the category, says Michael Burgmaier, managing director of the Massachusetts investment banking firm Silverwood Partners, which specializes in deal-making in natural-product categories.

Among the most notable acquisitions in the past year, Campbell's Soup bought the healthy juice and salad-dressing maker Bolthouse Farms and the organic baby-food brand Plum Organics. Happy Family Brands, another start-up baby and kids' organic food line, was sold to Danone in May 2013.

And Post Foods bought natural and organic cereal maker Attune Foods in January.

An additional \$57.4 million in

venture capital went to natural-products companies in the first half of 2013, show data from the research firm PitchBook.

Deals this year have been made with companies with as little as \$5 million in sales in the prior 12-month period, Burgmaier says. In fact, many strategic investors want in earlier than ever.

"They have to like the brand and the category," Burgmaier says.

The brand itself should show good potential to grow with existing products and encompass others, as well, he says.

That brings us back to Evol's Anson, who sold his first burrito in 2002. For years, he worked to make Phil's Fresh Foods the national brand for fresh burritos, maxing out all of

his credit cards in the pursuit. But then he looked at the gaps in the supermarket and noticed that no one had created an all-natural burrito option for the frozen-foods aisle.

In 2006, he won the first Pitch Slam, an event held by Naturally Boulder to help emerging Colorado brands launch. That got him in several hundred grocery stores.

Then, in 2009, he got two important people interested in the company: Brendan Synnott and Tom Spier, the founders of Bear Naked Granola. With a small investment, they rebranded the company as Evol (love spelled backward), distributed to thousands more stores and expanded beyond burritos. A private-equity investment came in 2012 to further accelerate growth.

Sales of Evol's 35 varieties of frozen burritos, meals, flatbreads and pizzas have grown 70% in 2013, and they're projected to double growth next year after 14 new products hit shelves in January.

"We've been off to the races and successful beyond my wildest dreams," Anson says.

But crucial to today's success were the many resources Anson tapped along the way.

"Part of being an entrepreneur is being a fighter, and seeking out the people you know will help you succeed," he says. "When I needed that nurturing, I had so many people to help me. But you need to demand their time."

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