

# Foodie to entrepreneur: Boulder's a great place to get started

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Posted: 07/15/2012 06:38:24 AM MDT

Updated: 07/15/2012 04:37:59 PM MDT

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So you want to start your own food company.

Maybe you've got a treasured family recipe or perhaps it's an idea that comes light bulb-like when you line up at a natural foods store for a sample of locally made baba ghanoush or salsa.

Well, would-be entrepreneur, you live in the right place.

"Boulder and Denver have a much higher success rate than a lot of other regions," says Jessica Moore, Rocky Mountain regional grocery buyer for Whole Foods Markets. "It's such a mecca for natural foods. There's just a network of people and organizations that are based here."

Individual Whole Foods stores in the metro area each work with 65 to 150 local vendors. Yet, even making it to the single store retail level requires hard work and persistence.

## **Brain to kitchen**

Remember that idea flashing over your head like a CFL? Well, it should be a great one, preferably something unique. That's a lot harder to come up with than it was even a few years ago, says Doug Radi, board chairman of Naturally Boulder, a local group of 500 members and 75 sponsoring companies that aids in economic development and encourages networking in the local natural foods industry.

"(The natural food category) is a lot more mature than it used to be," Radi says. "Fifteen years ago (a great idea was) coming out with an energy bar. No one had them. Today, there are 300 types."

However, Radi says, even with stiff competition, the local intellectual terroir offers an advantage.

"Boulder in general has a culture of innovation that spans a lot of industries -- the bio-technology and outdoor industries and the natural and organic industries," he says.

Industry pioneer Mark Retzloff, co-founder and chairman of Alfalfa's Market, agrees that

Boulder is fertile ground for planting and growing a natural or organic food business.

He says Boulder residents are open to new products and ideas and also are sophisticated consumers. That means the town is a good place to test a concept.

"We have a very educated and informed consumer base on food and food issues, whether it's local, organic, natural, vegan or gluten free," he says. "If it doesn't sell in Boulder, then you better redesign what you have. That's because Boulder is arguably one of the top two or three markets for natural and organic products in the country."

Retzloff says good ideas for new products come along all the time. A product doesn't have to be something totally new -- as was, for example, acai a few years ago, he adds. Sometimes it's a matter of repackaging and rethinking a product. As an example, he cites Justin's Nut Butter.

"They put it in a different delivery system to the consumer," he says of the Boulder company's popular individual nut butter pouches.

Great ideas can surface in different ways. Brook Eddy, founder of Bhakti Chai, came up with the idea for her fresh chai after tasting a similar brew during a trip to India. The flavors of fresh ginger, black pepper, cardamom, fennel and cloves brewed with black tea were so vivid that she began experimenting in her home kitchen in Nederland when she returned. She used her father and brother, who had been with her in India, as taste testers.

When she had nailed the recipe, she began offering it to friends and neighbors to see what they thought. A casual business sprung up as the stay-at-home mom kept jars in her refrigerator. She'd leave her sliding glass door open, and folks would grab a jar and leave \$5 on the counter.

The popularity of the beverage, even in that small "test market" showed her that the beverage had potential as a commercial product.

"There wasn't a fresh chai on the market," she says.

### **Kitchen to store**

Eddy went back to work full-time in an unrelated field, but rented commercial kitchen space, where she made her chai at night in 40-gallon batches. Her first customer was Burnt Toast, a now-closed breakfast spot on the Hill. She got the idea to approach the owner after tasting the café's chai, which she didn't think was very good. Eddy then began selling to other local cafes and got her product in local Whole Foods and Vitamin Cottage stores. The business expanded its retail presence from there, adding products such as decaf and unsweetened chai and a coffee-based chai, and began operating its own bottling plant. Last year, sales totaled \$1.5 million. This year, as Bhakti moves into four Whole Foods regions in the Southwest and on the West Coast, the company is projecting sales of \$3.5 million.

Entrepreneurs looking to get a product in stores have options in Boulder. Several independent markets, Alfalfa's and Whole Foods work with local vendors to help them showcase their

products. Most vendors have already sold their products in other venues such as farmers' markets. All must be producing in a commercial kitchen, meet labeling requirements and have a UPC code for the product.

At Alfalfa's, products must first meet the standards of the store, which include being free of preservatives and similar requirements, a set of guidelines that runs to eight or nine pages. Retzloff says the store sometimes works with producers, making suggestions on pricing or changing formulas to meet standards. Some products are turned down, based on Alfalfa's 30-plus years of experience with what is likely to sell.

"It could be flavors we've seen come and go, it could be sizes, it could be pricing that's a challenge," he says.

Once the store accepts the product, the entrepreneur is encouraged to offer samples to customers, or "demo the product," as the jargon has it. The store allows a month for a product to show that it can sell. If it doesn't, it's off the shelves.

Whole Foods has set up procedures to encourage local food producers, who can start at a single-store level and then move into other stores and regions if the product proves successful. Would-be entrepreneurs must go through a supplier application process, which includes analysis of ingredients and labels, as well as other requirements.

"This can sometimes be an arduous process for the smaller vendor," Moore says. "There are insurance documents. The language can at times be a little complicated."

She says Whole Foods has people at store level to help guide the entrepreneur through the process. Once complete, the product can go into the store.

"The demos are extremely important in the beginning," Moore says, adding that the Whole Foods suggests demos at least once a week in the beginning.

A product generally stays at the local store level for about a year. If it's successful at that level, it will be re-evaluated to see if it has the potential to become a regional product, although some producers choose to stay small. Whole Foods also offers loans to established producers to help them grow.

### **Producer to networker**

One of things Boulder has to offer food entrepreneurs is exceptional opportunities to learn from and network with others in the same business.

Naturally Boulder is where many entrepreneurs come for ideas and advice.

"We're here to establish Boulder as the epicenter of the natural products community. We help develop emerging and start-up natural products companies," Radi says.

The group holds monthly meetings and offers educational programs on topics such as finance, marketing, manufacturing and product designs, as well as mentoring from other companies.

"We try to help speed up the learning curve," he says.

Radi adds that the group includes producers at all levels -- those who are still in the idea stage, those who have started selling products at farmers' markets, and the largest producers such as White Wave or Horizon Organic Dairy.

Eddy of Bhakti Chai says it's important to take advantage of the many resources Boulder offers.

"Try to connect with as many local mentors as possible," she says. "Even if someone won't be on your advisory board, find those connections -- people willing to meet for coffee, give referrals or send an e-mail.

As she sought to grow her company, she says one of the best pieces of advice she received had to do with seeking advice. Ross Shell, founder and CEO of Red Idea Partners, told her this: "Figure out who gives you good advice ... and keep asking."

### **Kitchen to factory**

For entrepreneurs looking to scale up production, finding what's known as a co-packer is a crucial step. One local company specializing in natural and organic foods is Fresca Foods in Louisville.

The company, which likes to describe itself as the Olympic Training Center of natural foods companies, works with food businesses on marketing, product development, manufacturing and capital resources. Colorado clients include Justin's Nut Butter, White Girl Salsa and 34 Degrees, among others.

Fresca's intensive focus means that it takes on only about four to six new clients every year. Between 30 and 50 a month apply.

The company, which works with producers with a proven track record, uses four criteria to make its choice of clients -- requirements that might be a good indicator to would-be entrepreneurs of goals they should set for themselves.

According to Liz Myslik, executive vice president of Fresca Foods, the companies calls these guidelines the four Ps:

**People:** Myslik says the firm looks for talented entrepreneurs with passion, business savvy and a vision of where they want to take the company. "It's important to us that the entrepreneur be the face of the brand."

**Product:** "We look for products like blue jeans that are in every American household," Myslik

says. "We want to make them better, a healthier, more nutritious version of these products."

**Profit:** "We want to make sure the product can generate enough profit to fund its growth," she adds.

**Proof of concept:** "We want to know that there's demonstrated market potential ... that they have a retailer or consumer buying a product at third, fourth or fifth time," Myslik says.

Myslik describes Fresca's selection process as a bit like dating: initial attraction and then some time learning about each other. That takes about 90 days.

"Then we 'get married,' enter into a business relationship. So far, we've had very few divorces," she adding that the company's retention rate is about 90 percent.

### **Entrepreneur to entrepreneur**

So you want to start your own food company? You're in the right place.

As Retzloff of Alfalfa's Markets put it: "Many of us were young entrepreneurs here in Boulder. We know the kind of struggles you have to go through to get your ideas into a form that people will recognize and try. We're willing to give (food start-ups) an opportunity.