

R&D Management:

Entrepreneurial R&D

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Downsizing, restructuring, consolidating. These are just some of the words that describe the food industry's struggle within the last several years to meet consumer demands for better quality, reasonably priced food items. And the trend among consumers to private label brands has hurt the industry considerably.

Name just about any major food company and you'll find that they are either in the midst of, or have already gone through, any one of these processes, leaving literally thousands out of work. In 1992 and in the early part of 1993, Borden and Heinz announced worldwide layoffs as a result of restructuring and consolidating; trade journals continue to indicate downsizing in the beverage and snack segments of the industry, and the list goes on.

Venturing on

Mary Anne Jackson, an employee of Beatrice Foods for eight years, was laid-off during a leverage buy-out. Her decision to stay within the industry was easy; in what area she would focus her attention was another question. As she and many others have discovered, the answer lies in developing or creating a niche market in which the larger companies have little or no foothold.

Jackson's company, My Own



Photo: Mozzarella Co.

Meals, based in Deerfield, IL, grew out of a necessity to assure that her children received a nutritional meal while she was at work. Her only competition at the time were hotdogs, macaroni and cheese or canned pasta — not considered the healthiest choices by today's standards.

As is the case for many entrepreneurs, turning-point events such as boredom or layoff expose opportunities that might have otherwise gone unventured. Experienced in everything from accounting to strategic planning and the marketing side of product development, there was no lack of job offers for Jackson after leaving Beatrice.

"I continued to look for a job in a corporate environment, but my heart

The Mozzarella Co. produces an assortment of handmade cheeses. Since opening the company, owner Paula Lambert has combined her Italian training with southwestern and Texas ingredients to produce a variety of distinct cheeses.

wasn't in it," she recalls.

Her husband finally convinced her to take the risk. "Find something you really want to do and do it," he told her, "because once you go back into corporate America, you're not going to come out again."

Many find it difficult to give up the comforts of the corporate lifestyle, Jackson says. First, there's the money, which becomes almost negligible when starting a business.



Photo: Roadhouse, Inc.

Jeff Sanders' investment into the food industry is beginning to pay off. His barbecue sauce began as a kitchen enterprise — creating an enhanced version of his mother-in-law's barbecue sauce — then moved into a friend's restaurant, where patrons began bringing their own bottles to have filled with his product.

Then, there are the amenities — the beautiful hardwood desk, the secretary, etc. People also become more visible, therefore more accountable, she adds.

To find out if she could handle the environment, Jackson spent a summer working for a small business. While the company floundered, not only did she find that the size suited her, but also the product she would eventually turn into a business.

Not all are created equal

But all companies are not created equal, and there doesn't seem to be

one standard formula for creating a successful food product. Yet, given differing approaches, there seems to be a familiar quality that each entrepreneurial experience shares.

Like My Own Meals, many smaller companies are spawned of a sheer desire for products that are either not available or lack a certain quality, while yet others are built on intuition and creativity. And despite the shrinking market for the conglomerates, the small food and beverage entrepreneur seems to be flourishing. It has also become an industry approached not only by veterans, but by those in fields foreign to the industry.

For example, Jeff Sanders, a former television production manager, is president of Des Plaines, IL-based Roadhouse, Inc., makers of barbecue sauces; Paula Lambert, who did volunteer work and helped her husband's business, now heads the Mozzarella Co. in Dallas. While both keep their products within relatively small markets, Sanders and Lambert still must

compete with hundreds of other brands, many with the recognition and money to keep shelf space for smaller labels at a premium.

Once he'd made up his mind to start developing full-time what had once been "a friends- and family-type product," Sanders started his company with little more than a few thousand dollars and about nine months of hard research. What began as a kitchen enterprise — creating an enhanced version of his mother-in-law's barbecue sauce — moved into a friend's restaurant, where patrons began bringing their own bottles to have filled with his product.

"That just lead me to believe I could make a go of this thing, so I started doing the research, getting into the food business a little bit and finding out what was involved," Sanders says.

Jackson, on the other hand, never intended to start a small business. Entering the game with nearly a decade of experience in the food industry and initial start-up capital of \$350,000 to help her develop a line of all-natural, shelf stable kids' meals, it was big business from the word go. Unlike Sanders, Jackson had the connections that would keep her from making the mistakes her less experienced counterparts would come up against.

Because of the competition and the expense, she stayed away from frozen products, opting instead for the convenience of shelf-stable products — products which even the larger companies found weren't readily accepted by consumers. Jackson believed one of the problems was quality, an issue she hoped to resolve.

Her capital was raised by some 20 investors, including friends in the

food industry and family members. She used the capital for development contracts, food for development and for traveling to New Orleans, where her test labs were located.

Sanders' small investment paid for a telephone, a checking account, the initial batches of product and the lawyer's fees to get Roadhouse incorporated. He was also fortunate enough to find a co-packer that would work with him on a per-order basis.

"He's gambling, betting on the fact that we're going to grow and become one of his more successful clients, which indeed is becoming the case," says Sanders. "You work with a lot of co-packers who have such enormous operations, that to get your first couple of batches out, you need enormous start-up capital."

That co-packer now produces, bottles and stores Roadhouse's product.

More success stories

Al Jacobson started his Los Angeles-based company, Garden of Eatin' Inc., on the same premise as Sanders 22 years ago, when he introduced his whole wheat pita bread to an unsuspecting public. Before 1971, pita bread had only been available in ethnic bakeries and grocery stores.

With his flair for strange and exotic foodstuffs, Jacobson has become something of a P. T. Barnum in the food industry, an example that sometimes the key ingredients to success are an off-the-wall idea, a lot of faith and a little bit of luck (and not particularly in that order).

A salesman for Hain Foods in the 1950s, Jacobson adopted the name Wizard of Foods — which he still uses today — as a marketing ploy for the natural food company, current-

ly owned by Pet Foods of St. Louis, and still one of the leading manufacturers of natural food products.

By the late 1960s he'd lost all his money in the stock market. Ready to settle for Social Security, Jacobson became inspired and took a chance in a different kind of market.

"I knew that if I had a product that didn't exist, I'd have a chance of making it without a really large investment," he says.

In fact, Jacobson had to borrow \$150 to create the first whole wheat pita bread, which he introduced at the National Health Federation convention in January 1971. He convinced a baker to advance him several hundred loaves of the "Bible Bread" and, using the slogan "Three thousand years old and still fresh," sold them at the convention.

"I can truthfully say I made several hundred dollars before I even went into business," he boasts.

Two decades later, Jacobson is still convinced that contract manufacturing has let him remain in competition with other companies who make their own product. He comes up with the ideas, adds the ingredients — all organic — assumes quali-

ty control and lets someone else do the rest.

He has also found that diversification is keeping him one step ahead of his competition. By the mid-1980s, Jacobson had conceived a number of new and interesting products, but the company never turned a real profit, only enough to cover expenses and afford Jacobson a meager income. Again, ready to sell out, Jacobson took one more gamble. His purchase of 250,000 pounds of blue corn turned into a 1,000% volume increase with the introduction and sale of blue corn chips.

Today, Jacobson isn't willing to take a chance with the product that basically turned his luck and his company around. Since the advent of the blue corn chip, he has developed a number of distinct flavored chips that keeps Garden of Eatin' in a league of its own.

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Photo: My Own Meals

