

CPG Investor Perspectives - Show 2 What Makes for a Successful Company in the Consumer Product Goods Segment?

In today's show, you'll hear investor perspectives on COVID-19's impact on the CPG sector.

This is Investor Perspectives, I'm the host of Investor Connect, Hall T Martin, where we connect startups and investors for funding.

It's the time of COVID-19. The consumer product goods space is currently undergoing tremendous change across the U.S. The lockdown has disrupted the supply chain, manufacturing, and distribution. Retail is undergoing transformation as consumer products move online and the market shifts to functional benefits prioritizing wellness. We have investors and startup founders describe the impact of COVID-19 on the consumer product goods market.

Our guests are:

1. [Ronan McGovern](#), Founder, [Point 5 Brewing](#)
2. [Paul Janowitz](#), CEO & Founder, [MANTRA Labs](#)
3. [Sarah Foley](#), Partner, [SWAT Equity Partners](#)
4. [Richard G Riccardi](#), CEO, [Riccardi Ventures](#)
5. [Cisco Sacasa](#), Operating Partner, [Bee Cave Capital](#)

I hope you enjoy this episode.

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Our first guest is Ronan McGovern, Founder, Point 5 Brewing

[00:08:46] **Hall Martin:** So in your sector, what makes for a successful company, what do you have to do to be at the top?

[00:08:54] **Ronan McGovern:** Well, I'd say because nonalcoholic is growing, you're trying to capture people that don't drink nonalcoholic beer, right? So it's not about just clawing some market share off your competitors, because it's a small and growing market. It's about being able to convince people that, hey, you don't have to give up alcohol, but you might want to try a Point 5, one or two nights a week, or you might want to substitute it in here. That's kind of what you're trying to win out, I think, Hall, in this market.

Our next guest is Paul Janowitz, CEO & Founder, MANTRA Labs

[00:05:34] **Hall Martin:** So what makes for a successful company in this segment?

[00:05:37] **Paul Janowitz:** Yeah, so it's not much different than the startups that I've chosen to invest in, in the past, or the companies that I've run, which is, you got to have a story. People buy narrative, they understand narrative. People want to be part of a movement whether that's organic and whole foods or whether that's paleo, keto, whether it's open source software. So really understanding the narrative in the space. So why are you doing what you're doing is very important. You could say it's, in this day and age, one of the most important things, because a lot of folks don't own the means of manufacturing. So things are co-packed, co-produced, so it really comes down to why are you making it, and then how is it different, and how does it fit into a consumer's lifestyle. So the product has to have efficacy, so it's got to work. The buzz term in the industry is better for you right now, so it's better for you chicken nugget that's plant based; it's better for you version of Gatorade. And that's becoming kind of table stakes in a way. Everyone's saying that, so how do you stand out from the noise, and it really comes to, for lack of better term, a kickass product that really works and something that's different in the marketplace, and then a story about how you came about that, what created that need, and why do you exist.

Our next guest is Sarah Foley, Partner, SWAT Equity Partners

[00:08:03] **Hall Martin:** Great. So what makes for a successful company in this segment, in your opinion?

[00:08:08] **Sarah Foley:** Well, this is a great question. When I saw you had previewed it with me, it could be answered in so many ways, but one of the things that I think we do a lot of at SWAT Equity Partners, because of the way we're structured is think a lot about differentiation. So the fund is affiliated with a branding agency. One of the partners, founding partners of SWAT Equity Partners is named Richard Kirshenbaum, and he's a well-known marketing guru in the creative world, and his experience and expertise around thinking through how does that particular product position itself in the market, and how is it truly differentiated with the consumer is a big part of how we filter so many different opportunities we look at every year; and that differentiation is both a blend of art and science. The art side is how big of an engagement, do they have what their tribe or the community of consumers they're building, how is it positioned from a branding and kind of digital asset perspective, where is it sitting on the shelf, what channels is it available in, is it omni or is it just direct to consumer are those important advantages, how is it communicating with that tribe via different marketing tactics from digital to more

traditional. So that side of our team is extraordinarily helpful in the assessment of that, what we call brand DNA and its potential as we think about it, given the early stage we get involved in, how to make an investment. So, again, we look at a lot of intangible kind of things that you would want to understand from branding and bottle and packaging and everything else to how engaged is it, unit level economics and kind of down the P&L.

Our next guest is Richard G Riccardi, CEO, Riccardi Ventures

[00:13:18] **Hall Martin:** Great. And so what makes for a successful company in this segment?

[00:13:23] **Richard Riccardi:** To me, as I look at beverage, it's really not about the product. I mean, it can't be awful tasting, but it's really not so much about the product, it's about the brand and the marketing. Do you have that type of brand that is appealing the trade _____, the brand positioning, and so forth? And then do you have the enormous marketing expertise and funds in order to execute upon this great brand? I mean, I know personally that it is not with the brand that I've invested in, but within – with a water brand, a Texas water brand, it's not unusual for a brand to have nearly \$100 million in sales and still be cashflow negative, because the enormous marketing cost to build a brand, a beverage brand. And so that's – so I'd say it's really more about your brand. You first of all got to have a great brand, and then you got to have a great amount of money. And then, it's nice if your product is good.

Our final guest is Cisco Sacasa, Operating Partner, Bee Cave Capital

[00:11:10] **Hall Martin:** So what makes for a successful company in the CPG space, what do they have to do to win the business?

[00:11:17] **Cisco Sacasa:** Yeah, it takes a lot, right, if it was easy, everybody were doing it, and it is hard. So there's no silver bullet. First, you need to have a great product that finds a niche, is differentiated, it finds a niche of the consumers who want and desire that it's with the trends. So in a way, you have to find the trends of where it's going and fill that need, then you need to get distribution. And getting distribution is really, really hard. The big firms block out the small firms. It is extremely difficult to get distribution. But you have to be creative and find ways to bring the product to market. And then once you get distribution, you got to get your velocities up, get people to taste it, try it, and then come back to buy it again. So it's challenging, but when you figure it out, it's amazing to see what happens when you have a great product, _____ to market.