



PGS MONTHLY

The Power of Focus

Volume 2, Issue 5 May 2018



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About PGS

PGS is a sole proprietorship consultancy for entrepreneurs and investment firms focused on the premium end of retail food and beverage.

- I help clients plan exponential growth.
- I help clients implement, evaluate and revise those plans.

Take my Founder's Quiz online right now and see if YOU are ready to Ride the Ramp!



Introduction

Yes, this month's cover photo is mine. I took it at Ruby Beach, on the west coast of Washington State in April of 2014. The story of how it was made serves as a great allegory for what focus yields any entrepreneur, but especially what it yields those in premium food/beverage.

Inspiration for this shot came after 45 minutes of pacing up and down the windswept beach during the pre-dawn hours in what looked like a ski outfit (it was cold folks). As I scanned all around me and absorbed the coastal geometry, I noticed swirling sea foam eddies next to a large, barnacle-coated rock. What if I could capture what it felt like to be a rock experiencing this tidal action?

To pull this off, I needed a wide angle shot, very close to my subject rock. But I wanted *everything* in focus to enhance the drama. Then, I had to slow down the exposure to capture the swirling sea foam, like paint on a canvas. I had to do all of this while standing in two feet of sea water, with 3 neutral density filters that prevented me from seeing through the viewfinder once they were inserted. So, I carefully adjusted my focus ring in tiny increments until test shots yielded 'hyper-focus'- sharp focus from foreground to background. On my nano-coated 28 mm f4 prime lens, this was literally a matter of a few millimetres on the focal ring. Then, I had to take shot after shot until I found one where the tripod hadn't moved due to shifting sands caused by the tidal surges every 30-60 seconds. Yes, the very same tidal forces creating the beautiful swirling in my photo also threatened to move my tripod and destroy my foreground focus. The exposures needed to last about 5 seconds to capture the motion. That was 5 full seconds where the slightest movement of the tripod would destroy the image. Just as I was getting lucky, the sun peaked above the forest behind me, casting light onto my filters. This backlighting reflected off the filter and cast a nasty red flare on about five shots, before I noticed it. My left hand now went up to block the backlight. This was my punishment for being cheap and not buying a \$300 screw-mount, professional, multi-stop ND filter. Good grief. Amateur hour.

After about 85 shots, including the initial test shots for focus, I had this one and a couple other professional grade images. I trust most of you are not photography geeks. So, you probably didn't follow all the details of my story. Good. Then, you can appreciate my point even better from outside the fishbowl of your daily entrepreneurial activity.

By committing 110% to a specific image concept, I was able to focus on all the myriad other technical issues necessary to capture it. Because, if I hadn't, I would have walked away from that beach with a whole bunch of cute point-and-shoot images anyone could have taken.

The complexity of the above shoot is your allegory for the complexity of managing a holistic, professional go-to-market strategy in premium food and beverage, a world that is ever more competitive with each passing year. It used to be the case that you could have a mediocre tasting, natural product, and, if you could find the right broker and production funding, sail right to \$10M and beyond. No more.

Focus yields enhanced precision, enhanced control over complex outcomes.

Focus = One Operating Category

Focus is about innovating well in just one merchandising category, one category as the consumer defines it (yogurt, beer, bars, cheese). Consumers define categories through cultural learning, but, more importantly, they believe in the expertise of those who focus intensely on quality innovation in just one. And it is the credibility of your claims to expertise that matter most in generating rapid word-of-mouth for a young business in a crowded marketplace.

This kind of focus is an enormous challenge for entrepreneurs who deeply love product development. They are constantly tempted to keep creating, creating, and getting bogged down in just one of the 4Ps.

For those who are good at sales or equipped with talented brokers as partners, there is temptation to seek quick revenue bumps through line extensions. They use innovation as an excuse to keep selling into existing accounts.

However, research performed by the Hartman Group in 2017 and released at NOSHLive demonstrated quite dramatically, how sprawling your brand across multiple product categories will damage your growth rate and eventually sentence you to stagnation.¹

If you simply look at the brands that have succeeded at scaling past \$100M, a rare feat in the premium marketplace, you will easily see that most of them got there by remaining in just one merchandising category, give or take a few adjacencies. Kind, Siggi's, Naked Juice, Skinnypop, etc.

Consumers are loyal to brands that innovate well and credibly as category experts. What brands choose to do with their brand halo once they scale is their business. But consumers rarely reward them for trying to become mega-brands.

Focus Enables A Strategically Planned Business

Early stage food and beverage brands that run into the most financial trouble tend to be what I call sprawling brands. They have platformed way too early and have a hard time keeping track of all the financial variables impacting their bottom line. A sudden revenue loss in one of 8 categories could flip the business deep into the red, if it happens to be the highest net earning category. If you introduce pricing fluctuations beyond the control of co-packers or entrepreneurs, things get even harder to control. Not to mention the paperwork and sales time involved in getting on the shelf in all those very different categories.

Lack of focus multiplies the number of data-points you need to control as a business leader. This is NOT the kind of complexity you want as an entrepreneur with a small team and limited administrative time, limited time in total (unless you're one of the lucky ones who doesn't need sleep). If I had tried to take 10 photographs as complicated as the one I took that morning on Ruby Beach, would I have nailed it all 10 times? Maybe, but not likely. There were hundreds of great potential compositions on that beach, but for half an hour, I chose one and stuck with it.

By focusing on just one, well thought out innovation in one category, the entrepreneur can launch with greater confidence that they have the time to manage all the other variables of going to market. These include not just the 4Ps, but also the easily under-estimated amount of time you need to spend on networking and fund-raising.

Focus itself enables optimal strategic planning of revenue growth. Being an expert innovator in just one category means you can intelligently focus on the other 3 Ps with as much passion and energy as you focused on developing your product. You can totally understand how you make money and how much you can or can not yield on pricing or to retailer fees. You can focus on which retailers and geographies make most sense for your offering. You can focus on interacting with early consumers and rewarding them to drive word of mouth. You simply have more cognitive energy and clock time to do strategic planning at all.

¹ Source: <https://www.youtube.com/watch?v=YCHzIA2S46s>

Unfocused = Executional Risk of Mediocrity

So, if you've been nodding your head so far, then you can deduce that being a sprawling brand too early wildly raises the likelihood of mediocre execution. How does this play out? Without naming names, here are some things that tend to get mediocre in sprawling brands that lack category focus:

- Brand communications become diluted to link everything up
- Marketing fails to connect to the consumer's everyday experience of a specific product's benefits
- Product development suffers in terms of managing sensory excellence necessary to compete at a baseline level (ever tried most plant-based yogurts and cheese?)
- Inconsistent pricing halo emerges as some products are discounted to compete and others trade at a higher premium and do fine
- Not meeting a specific distributors' requirements for specific categories due to clerical oversight
- Out of stocks due to poor management of production runs and/or distribution timing

Mediocre companies can scale to \$10-20M. It's true. But these companies rarely get beyond that level unless they are literally the only premium offering in the category (not many categories left without a premium offering). Even then, consumers are not fools. If your pricing is out of whack with your quality in a store with lots of premium food/beverage shoppers, you will underperform and lose your access to that shelf. Mediocre execution is just not rewarded for very long any more in the natural products marketplace.

Examples of focused, amazing execution are everywhere. My favorite snack examples are Lay's potato chips and Skinnypop. In fact, Frito-Lay is a master in building a portfolio of highly focused brands, 8 brands for 8 different salty snack product forms and sensory experiences. It's very tempting to use billion brands as 'platforms' for lazy line extensions. And Frito has done their share of this, but never by spreading their snack brands into wildly unrelated categories.

Focus works for big and small companies. It's just that the big companies have the internal resources to master enormous complexity posed by innovating across categories. You, as an entrepreneur do not, even if an angel wrote you a \$1M check. That \$1M can be squandered very quickly without focus and the inherent self-discipline it requires.

Implications

- Develop one amazing tasting innovation in one merchandising category and stop innovating anything more than flavors
- Focus will enable you the time and energy to fundraise properly
- Focus will enable you the time and energy to create and execute a strategic plan
- Sprawling brands devolve quickly into mediocrity, often at the sensory level
- Sprawling brands lose precise control over the other 3 Ps as well



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