

SMALL BUSINESS

ENTERPRISE | By Gwendolyn Bounds

Steve Demos's Second Act: Probiotic Products

Creator of Silk Milk Starts Juice Line For Aging Boomers

It took Steve Demos nearly 30 years to find and fine-tune his cash cow product—Silk soy milk—now a staple of several Starbucks Corp. coffees and a noted early success of the organic-food movement. A Buddhist who once lived for several months in a cave in India, Mr. Demos strug-

gled for decades to make soy, a product he describes as “weird,” appetizing to the masses.

His answer finally came with milk, a familiar household product. And it catapulted Mr. Demos's company, WhiteWave Inc., into superstardom status in the food world—and, ultimately, into the hands of dairy giant Dean Foods Co. Dean invested in and later acquired the company in 2002, putting the market value of WhiteWave at \$296 million. Mr. Demos left WhiteWave in 2005 and has since laid low under a non-

compete agreement with Dean. Until now.

In December, 58-year-old Mr. Demos began quietly shipping his latest food volley: GoodBelly, a line of stomach-soothing probiotic juice products aimed at aging baby boomers, which was created by his new company NextFoods Inc. Probiotics contain bacteria that are an essential part of a person's immune and digestive system.

In a few months, he has secured space nationally at Whole Foods Market Inc. and soon will be entering Safeway Inc. and H.E. Butt Grocery Co. in Texas. Mr. Demos says GoodBelly's fast, early traction stems from lessons learned during early missteps with Silk.

“I describe my career with WhiteWave as 20 years of hell and eight years of heaven,” he says.

Here are excerpts from a recent interview with Mr. Demos:

Solutions Sell

THE WALL STREET JOURNAL: You've said putting soy in milk took the “weirdness” out of the product. How do you keep GoodBelly from being weird?

Mr. Demos: There is risk in this. That's why we took common flavors [blueberry, mango and strawberry] and fruit juice...so it doesn't have the flavor resistance we had with soy.

There was a real stigma against the product with soy. It took 20 years to get there. We were trying to invent a new category. But once you've gotten there, you have key insights. One is “How many flavors of Milky Way did you eat when you were a kid?” The fact of the matter is [it was] one. You don't need a plethora of offerings. You need the right product with the right benefit in the right configuration.

With GoodBelly, our intent was to play to the convenience of the consumer who says, “Hey, I want to do something for myself that is good and I want to do it in a hurry.”

WSJ: You've said the best new products find a problem to solve. Why is that?

Mr. Demos: The definition of a business is not a product. The

definition of a business is a customer who is willing to give you money for something you have. And the only reason that a customer is going to give you money is because you solved some problem or offered them something that they don't already have. And if you can get to a biological need, you are going to have a continual supply of customers coming toward you.



Steve Demos

WSJ: How does your new company meet a need?

Mr. Demos: Everybody is out-greening everybody else. So where is the future competitive advantage? It's going to be with science. NextFoods

was the evolution out of the organic granola crunch world into the marriage of validated science and the natural order of food.

Deliberately Different

WSJ: For GoodBelly, you've licensed a strain of bacteria that aids digestion from a company in Sweden. Is that your competitive advantage?

Mr. Demos: There is some very deep, legitimate science on this bug. Its origins come from you. It is human. It is nontoxic, you can't overdose on it. If you re-establish these bugs in your gut, you will notice a digestive change.

So we started with this probiotic because it met all the criteria I just described—not the least of



NextFood's GoodBelly line of probiotic juices

which is the proprietary protection against somebody coming after us before we've had the chance to gain the first-move advantage with the consumer.

WSJ: Your first product is a 2.7-ounce “shot” of juice—an unusual serving. Was that deliberate?

Mr. Demos: Absolutely. We have to establish our image as an innovator first.

WSJ: Will you be advertising?

Mr. Demos: We are doing guerilla marketing...handing out a lot of products, creating buzz and just being present and bringing innovation and newness to the market. The market will always look for somebody who is willing to take the risk and put out something different.

And admittedly, we are using the “Hey, we were fairly talented with the Silk insights. Maybe we have the same mojo going with this one.”

WSJ: Most of your top management team at NextFoods came

from WhiteWave. Why pick the same team again?
Mr. Demos: I said if I am going to have half a chance of making this work, it won't be on the energy of a 58-year-old. It's going to be on the energy of those who are hungry professionals who already drank the Kool-Aid so to speak.

They had already been tested. As we all know in business, you are going to need to fall back and know that they can close doors and have candid conversations and not be dancing around important issues in the first year. We accelerated the familiarity curve 10 years.

Profit First

WSJ: Your business has been carbon neutral from day one, but it's not something you put at the forefront of your message. Why not in this green era?

Mr. Demos: The first and foremost responsibility of a business is to make a profit so it is here tomorrow. You can't give something away unless you have it.

With that said, I earmarked a certain percentage of the money so we will be carbon neutral. We are organic in all the ingredients in the packaging. We are starting to work on the supply chain for biodegradable packaging. But again, I'm going to focus this team on making a profit before I start talking about where I'm going to give it away.

BEST OF INDEPENDENT STREET

Excerpts from WSJ.com's Blog for Entrepreneurs

My Office Is Your Office: Small Firms Share Space

BY GWENDOLYN BOUNDS

It appears that more businesses may be willing to shack up together.

Regus Group PLC, one of the world's largest providers of “shared office space” this week reports that it is seeing an up-

need it and a conference room we share, but work independently of one another.”

“One of the biggest pluses is flexibility. ... Try finding a landlord to let you [have] enough space for anything less than five people for six months and

The key plus: Microsoft will run the software on its own computers, and customers access the programs over the Internet.

Its products will join similar online tools from Google Inc., Yahoo Inc., Salesforce.com and others that are making it easier and cheaper to network employees, sell goods and manage office-accounting functions in ways that previously required office space, technical staff, servers and software.

Are you running any of your company's office functions through an online service? How have you fared?

Readers say:

> buildmydreamteam.com or 1-877-Fill-A-Job

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