



# ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

**"OUR EARS SPAN ALL FIELDS"**



**SOMETIMES, CHANGE HAPPENS SHOCKINGLY FAST!** But often, change is slow & gradual, like the six million years of erosion to form the majestic beauty of the Grand Canyon. Heraclitus, C.S. Lewis, Ayn Rand, Andy Warhol & even cartoonist Bill Watterson are just a few who have lamented on how small changes over time suddenly make everything look different! We think songwriter Bob McDill said this best in his country classic, *Amanda*: *"It's an awful awakening in a country boy's life, to look in the mirror it total surprise, at the hair on my shoulders & the age in my eyes."*

(THE LITCHFIELD FUND is at the Natural Products Expo East in Baltimore this week. *All Ears!!* will return to its normal format next week. We ask readers to pardon us for this week's musings!)

**INNOVATE AND INCUBATE:** Since we first attended Expo East six years ago, our industry has seen many, many ch-ch-ch-ch-changes, as David Bowie would say! At our first Expo, we had just left our corporate careers. We were looking for ideas as to what we could do next! As regular readers know, we had always been passionate consumers, growing with the natural & organic industry as we sought to improve our overall health & nutrition. Of course, in our younger years, nutrition meant eating lots of salads, whole grains & watching our sugar, salt & calories. As the information highway boomed, so did our knowledge. Our nutritional focus grew more holistic; encompassing body, mind & spirit. For our bodies we exercise; eat nutritionally, organic & clean ([All Ears!! 08/03/19](#)) & use supplements we feel necessary such as probiotics, omegas, etc. For our minds, we seek new personal & professional challenges; connect, engage & converse with others socially & through social media & explore creative outlets, such as cooking & writing! For our spirits, we choose to live in a beautiful environment; try to connect with kind, positive & uplifting people & finally, enjoy food! For us, food is an essential part of living & enjoying life. Though we cook creatively, clean & organic at home, we do not hesitate to try new restaurants, new foods or snacks! And of course, this writer being Italian, good food needs good, fun conversation!

At our first Expo East, the buzz was beverages, new flavors & functional ingredients! It's a long list of what was just starting to trend; barely discussed or not even mentioned at the show or in the industry back then: alt-proteins, probiotics, plant-based, gluten-free, keto, nut milks, nut yogurts, MCTs, collagen, wellness shots, healthy pets, alt-meats, alt-seafoods, cell-cultured meats, meal-kits, private label, online grocery delivery/pick-up, restaurant delivery, indoor/vertical farming, healthy C-stores brands, FoodTech, AgTech, FarmTech, automated warehouse fulfillment technology, self-driving vehicle delivery, drone delivery, R&D centers, Tech Hubs, innovation labs & CBD! The rate of change has definitely accelerated!

But some things have not changed! Young brands still struggle for relevance, shelf space, distribution & investment. Consumers still have changing preferences, but the American consumer is still seeking to eat better for their health, wellness & fitness; to find better-for-you foods & nutrition options for themselves & more importantly, their families. And investors are still following trends, looking for the next hottest product! But for each of these there are new challenges! Competition for young brands is growing, most significantly from private label brands. Consumers not only have changing preferences, but because of a

now booming economy, full employment & higher wages, they can afford to buy what they want! They can afford to try new products & pay for added conveniences! And while investors are following trends, the big money seems to be flowing toward CBD, tech & delivery! It may appear to be more difficult than ever for young brands to get that foothold they need to create growth!

So where does that leave these young start-ups, founders, investors & the industry? While having a product that tastes good is always important, *"This tastes better & is better-for-you than (fill in the name of the industry leader)"* is no longer enough. It has never been more critical to innovate, incubate & make the trend, not follow the trend. As fashion icon Coco Chanel stated, *"In order to be irreplaceable one must always be different."* With so many brands out there & private label brands shrinking available shelf-space, the play for those investor dollars is going to get tougher. To get on those retail shelves or create a significant eCommerce presence, it is going to take a creative, innovative product & even more backing from the right investors. Start-ups can't wait to have all the right numbers & to be able to tell a perfect story to engage investors. Studies show it takes some 30 meaningful interactions to finalize a capital investment. Start-ups must build relationships in order to interest investors early on, understand what investors are looking for & grow to secure a future opportunity. And finally, in a world with an overwhelming amount of information, how a start-up spends its scarce marketing dollars is critical! Be it social media, demos, distributor or retailer discounts, advertising, trade shows or influencers, the brand message has to be delivered clearly & concisely!

The founder, entrepreneur or career-changer who is incubating that innovative idea (food, tech or other industry) may wonder, *"Is this a good time?"* The time has never been better! We report the economic numbers each week in *All Ears!!* & last week the FED chairman confirmed the American economy is in good shape & there is no chance of recession! As long as there is an Administration that believes in the American worker, the American consumer, American business & American capitalism, the economy will remain chugging along. Higher wages & lower taxes mean consumers will be able to choose what they do with their money! They will keep buying what they want & *they may choose to buy your product!* A pro-business low-regulation environment with low corporate & capital gains taxes means Venture Capital, Private Equity, Family Offices & Angel Investors will continue to invest & *they may choose to invest in your start-up!* We think it a great time to innovate & incubate new ideas!

Edward Demming thought innovation was up to the producer & Henry Ford would agree saying, *"If I had asked people what they wanted, they would have said faster horses."* Incubation is just as important, Thomas Edison said he *"Found 10,000 ways that won't work"* & Thomas Watson thought the best way to success was to *"Double your error rate!"* But remember, innovators are often said to be nuts, crazy or worse! Theodor Reik said, *"Great innovators & original thinkers & artists attract the wrath of mediocrities as lightning rods draw the flashes,"* & Adolphus Huxley warned, *"At their first appearance innovators have generally been persecuted & always derided as fools & madmen."* We offer advice from Ludwig von Mises who believed, *"Innovators...defy what the school has taught them,"* & inspiration from Steve Jobs who said, *"I want to put a ding in the universe!"*

**THE LITCHFIELD FUND** will be at Natural Products Expo East this week & we hope to see you there! We certainly would enjoy discussing (or perhaps even partnering on) innovative ideas worth incubating!

***SEEDS, SPROUTS, GROW, HARVEST!***

**THE LITCHFIELD FUND** – *Tom Malenjo*

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