



# ALL EARS!!

*The Litchfield Fund  
Weekly Newsletter*

“We just don’t hear it on the street, we have our ears spread across all the fields!!!!”



**Litchfield**

**In the '70s, Ford Motor** had a poor reputation. As my first car was a 4-year old, 302cc V8, '72 Maverick, (whose failings were so numerous & legendary it requires an entire *All Ears!!* to be dedicated to the subject) I can attest the reputation was indeed well deserved. Consumers thought *Ford's Better Idea was Buy Chevy!* The running joke was *Ford* stood for *Found on Rode, Dead*. If hit from the rear, the *Ford Pinto* blew-up! *Ford* owners “proudly” displayed bumper stickers that read *This Ford's a Lemon*. In the hard times leading up to the '76 Presidential election, some of those stickers were changed to say, *Nixon's Ford's a Lemon!*

**Reputation:** We recall a story of Thomas Watson Sr., *IBM* founder, discussing reputation with his young son who would eventually succeed him as *IBM's* chairman. He cautioned his son to remember his reputation would not be built in the boardroom, but by the doormen, bellhops, elevator operators, taxi cab drivers & hat check ladies he encountered on a daily basis. These were the people who would know his true character. President Lincoln said, “*Character is like a tree & reputation like a shadow. The shadow is what we think of it; the tree is the real thing.*” This week, *Campbell Soup* reached #1 in the *USRepTrak 100*, an annual study of corporate reputation & *Kellogg, Hershey & J.M. Smucker* made the top 10.

**Industry News:** *Reuters* reported that *Hearthside Foods*, snack & bar manufacturer, would be acquired in deal valued at \$2.4B by *Partners Group Holding AG & Charlesbank Capital*. *Premium Brands* will acquire *Oberto Brands*, manufacturer of beef jerky. *SPINS* acquired *FoodFacts*, a platform providing consumers product data on nutrition, ingredients, allergens & sensitivities. Israeli-based *Genie*, who offers barcoded freeze-dried meals that communicate to a *Genie* smart oven to quickly cook, attained \$10M to enter the USA. The system is designed for hotels, hospitals & homes. The two largest restaurant-delivery startups, *Postmates & DoorDash*, may be discussing a merger in order to compete with their well-funded competitors. Grocery broker *Impact Group* (700 CPG brands including *Amy's, Siggis & KIND* & retailers such as *Kroger & Albertsons*) acquired two sales & marketing agencies, *Wildfire Sales & Epic Natural Sales*, to broaden their service reach in natural. Senators are questioning *Marfig's* purchase of a majority interest in *National Beef Packing Company* over concerns regarding food safety & security based on recent Brazilian meat industry scandals. *Here*, a refrigerated bean dip, dressing & cold-pressed juice brand, raised \$4 million as part of its Series A round led by *Listen*, with Kimbal Musk & Mike McCloskey (*Fair Life*) participating. For a number of market & geopolitical conditions, *A.T. Kearney* expects 2018 merger volume to be greater than last year's \$392B in deals.

*Wakefern* will hold a one-day Expo, connecting buyers & category managers with vendors, to find new private label products. *Walmart* has reduced prices to be more in line with dollar store

prices, causing dollar store stock prices to decline. *Brandless* (\$3 food, beauty & personal care private label items) will have a two-week pop-up store in L.A. to display their products with no on-premise sales taking place. *Target* will launch delivery in Mississippi, Louisiana & Colorado with *Shipt*, allow customers in 60 cities to choose home delivery at check out for a flat fee & expand curbside pickup to 270 stores in the South & Southeast. *Rouse's* will use *Shipt* in Mississippi & Louisiana. *Hello Fresh*, using *Spoiler Alert*, a platform that helps food businesses manage food waste, has reduced waste by 65%. *Meijer* will roll out shop & scan to its stores, which allows customers to scan bar codes while shopping & immediately bag their groceries. *Kroger* will debut a similar process in Atlanta. *Whole Foods* will end its current shopper rewards programs & give additional perks to *Amazon Prime* members. *1908 Brands* is expanding its retail reach into *CVS* & *Walmart* for its brands such as *Three Bears* & *Thrive Tribe*. *Terramino Foods* is introducing a fungi & algae salmon burger that is to look, taste & smell like salmon while containing omega-3. *Springboard's* (*Kraft Heinz*) first partnership is with chef David Chang's *Momofuku*, to bring his *Ssäm Sauce* into retail. Etienne Patout, former marketing executive at *Kellogg*, *Kraft* & *Pharmavite*, will take over as CEO at *Theo Chocolate*, with founder Joe Whinney stepping aside. Big Food veteran Andrew Callahan will be the new CEO of *Hostess*.

*Danone* beat analyst expectations for 1<sup>st</sup> QTR revenue with sales for yogurt, dairy, Chinese infant formula (up 50%), probiotics, organic, kids & plant-based products contributing. *Nestlé* also reported sales growth of 1.4% in 1<sup>st</sup> QTR. Both companies did report lower USA-zone volume.

Per *Nielsen*, private label growth was 3 times greater than consumer brands at the end of 2017. A survey from *Catalina* reports that in 2017, 59% of the 18M shoppers at more than 6500 USA grocery stores made center store shelf purchases, spending \$1400 per year. Categories seeing growth include heart healthy, low-fat & non-GMO, sparkling water, snacks & better-for-you frozen meals. Per the USDA, millennials spend more of their food budget (6%) eating out than other groups & 62% of millennials purchase prepared foods, use restaurant delivery or choose fast food compared to Gen-Xers (56%) & baby boomers (59%). In a survey by *Coresight Research*, while *Amazon* is the most used site for online grocery shopping, *Walmart* sees larger orders, with more fresh & frozen foods sold & a much higher percentage of customers' total shopping spend. Also, *CoreSight* reports a majority of online shoppers prefer to pick up their purchases.

**Partnership Update:** *Supereats*, the high protein, low-carb snack, is expanding quickly & will grow with a new manufacturer, *Wyandot Snacks*. Read more: [Supereats: A Snack with a Purpose!](#)

**Market News:** Once again, stocks spent the week searching for direction!

**Seeds, Sprouts, Grow, Harvest!**

The Litchfield Fund - *Tom Malenjo*

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