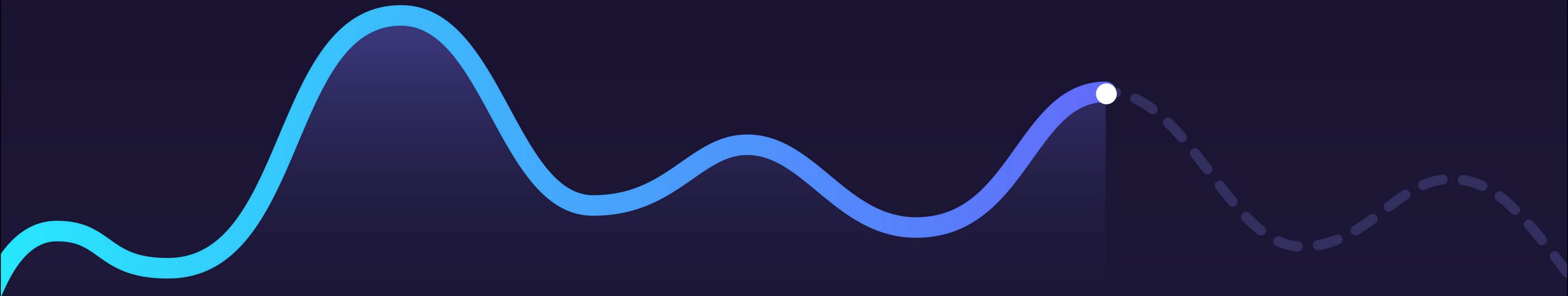


VC Investment in CPG

How direct-to-consumer brands are transforming Consumer Packaged Goods (CPG)



The balance of power in CPG has shifted.

New brands are executing successful direct-to-consumer (D2C) strategies with increasing VC backing to gain market share.

This report looks at the larger market trend and examines how five influential startups quickly gained traction with consumers.

Major events since research completion include: Casper IPO'd, Edgewell's acquisition of Harry's is under investigation by the FTC, and Califia Farms raised a \$225M Series D.*

**This research was completed in February 2020.*

Successful D2C brands use a common playbook.

Use this guide to adopt winning go-to-market, distribution, and social strategies from small, successful brands. Larger CPGs should be careful to learn from, and not merely copy, their agile rivals. Small brands pivot and iterate until they get it right, and then heavily invest into that successful flywheel.

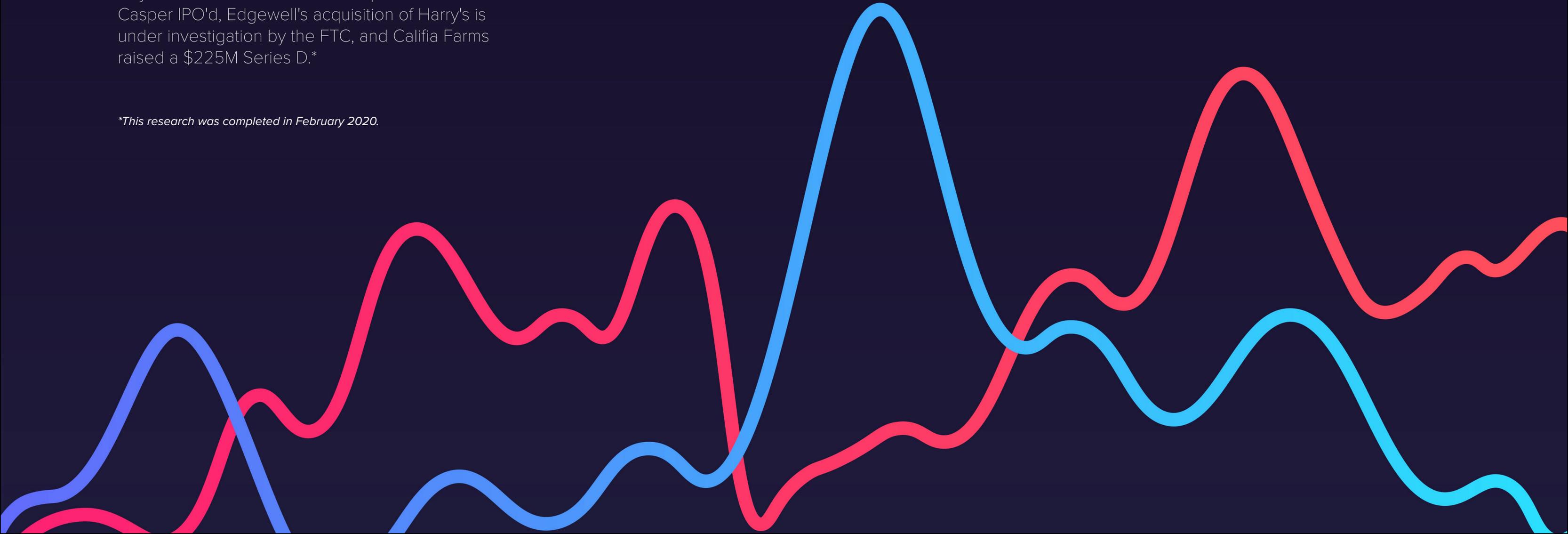
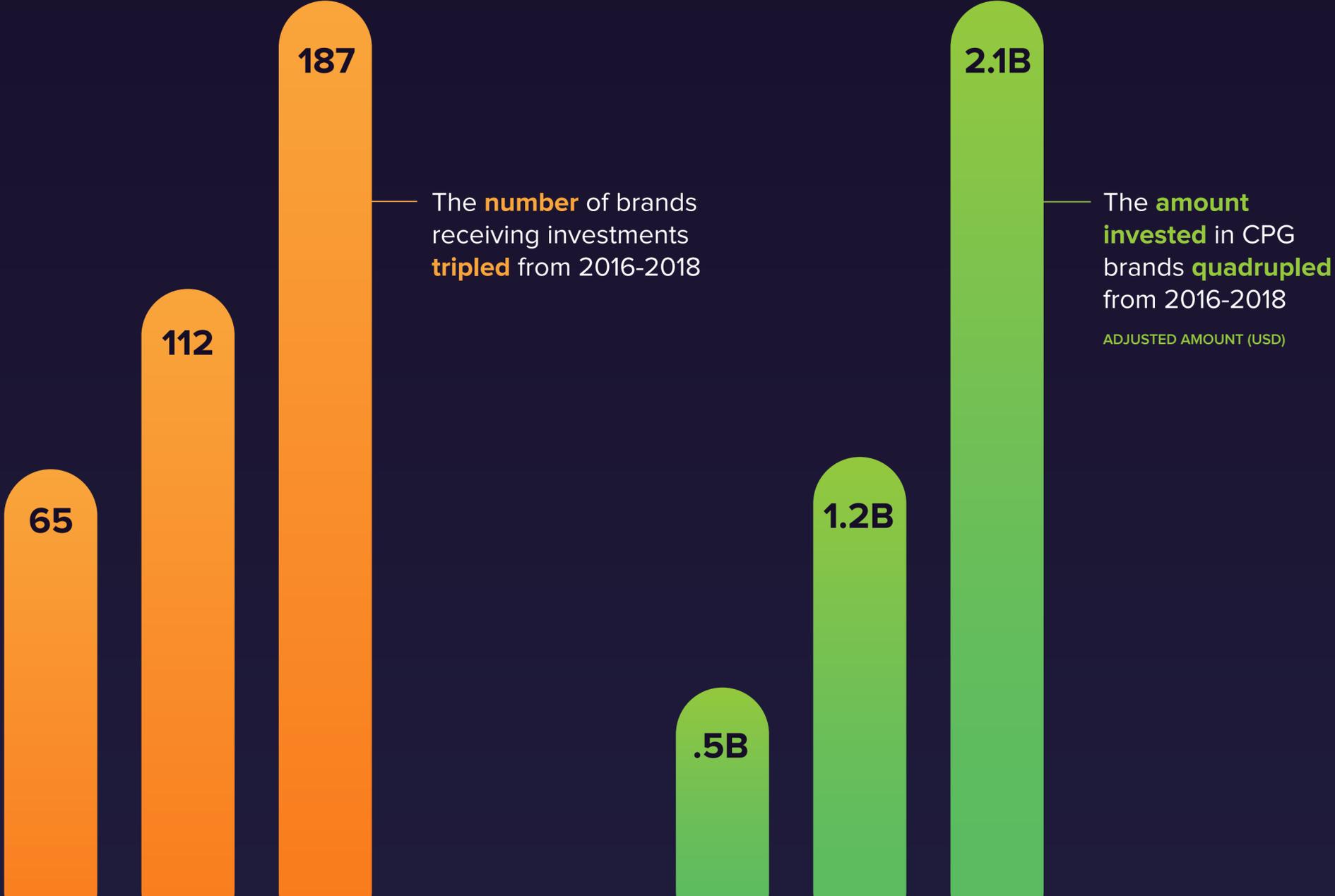


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Investments in new CPG brands quadrupled from 2016-2018

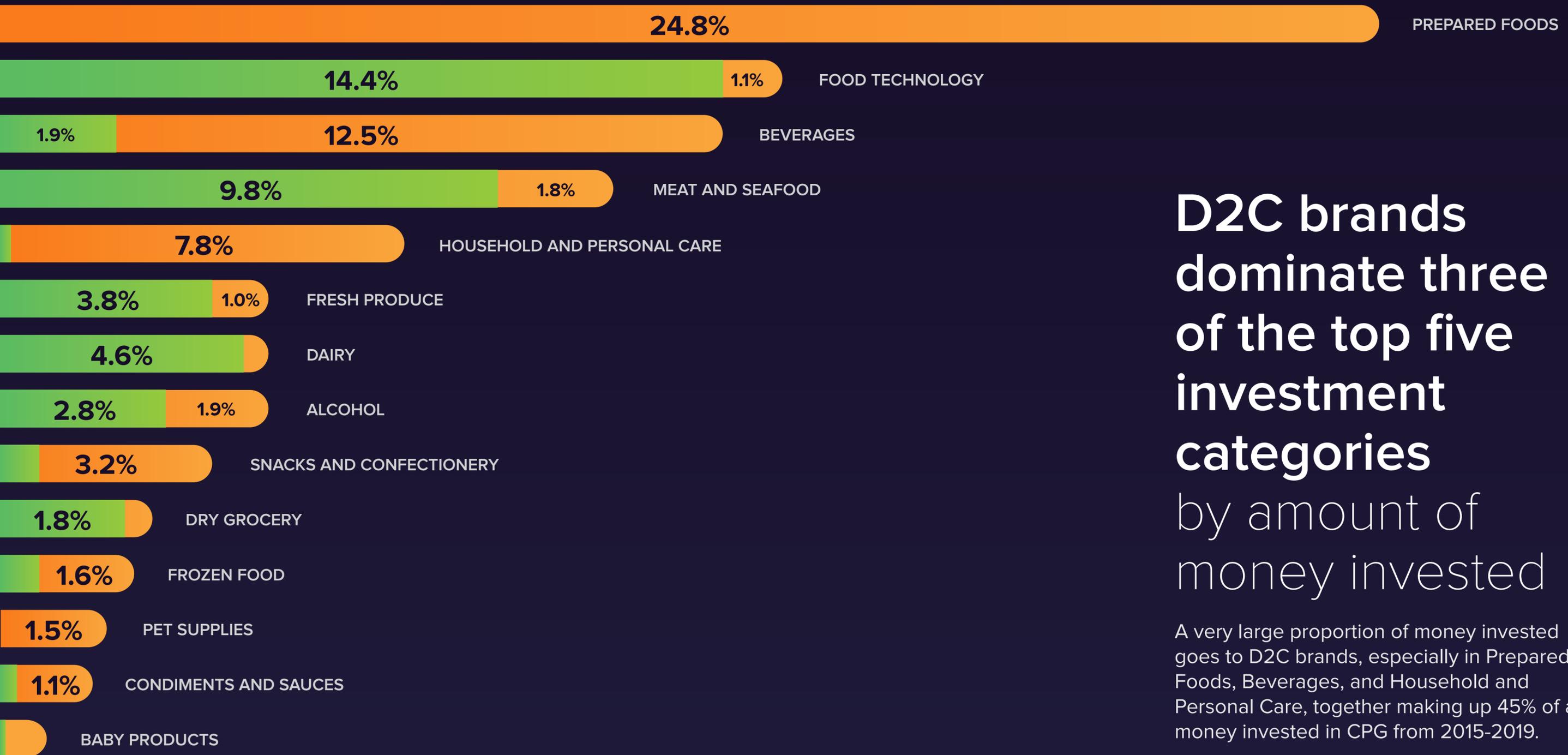
More than \$5.5 billion was invested into CPG brands from 2015 to 2019. In the last three years, US venture capitalist firms have increased the number of investments and the amount going to the smallest players (less than \$10M).



● D2C ● NON D2C

Category Breakdown of Money Invested in D2C and Non-D2C Brands

% OF TOTAL ADJUSTED AMOUNT (USD)



D2C brands dominate three of the top five investment categories by amount of money invested

A very large proportion of money invested goes to D2C brands, especially in Prepared Foods, Beverages, and Household and Personal Care, together making up 45% of all money invested in CPG from 2015-2019.

● D2C
 ● NON D2C

Category Breakdown of Number of D2C and Non-D2C Brands Receiving Investments

% OF TOTAL ADJUSTED AMOUNT



D2C brands dominate four of the top five investment categories
 by amount of brands receiving investments

D2C brands most often receive investments in Beverages, Snacks and Confectionery, Household and Personal Care, and Prepared Foods. With the exception of Alcohol (where regulations pose challenges), Food Technology (which lends itself to B2B models), and Dairy (brands only available through retail channels), there are more D2C brands than Non-D2C brands receiving investments across all categories.

75% of individual investments totaling \$1.1B from 2015-2019 were less than \$10M

Investment buckets (\$10M increments)



CPG giants lost \$17B to innovative newcomers

Large CPG companies can't rely on scale to dominate the market

Since 2013, over \$17B in sales shifted away from traditional, larger CPG brands (greater than \$1B) to smaller brands (less than \$1B).¹ Extra small companies (less than \$100M) grew the fastest of any CPG segment, rising 4.9% in 2018 vs. 0.6% for large companies (greater than \$5.5B).¹

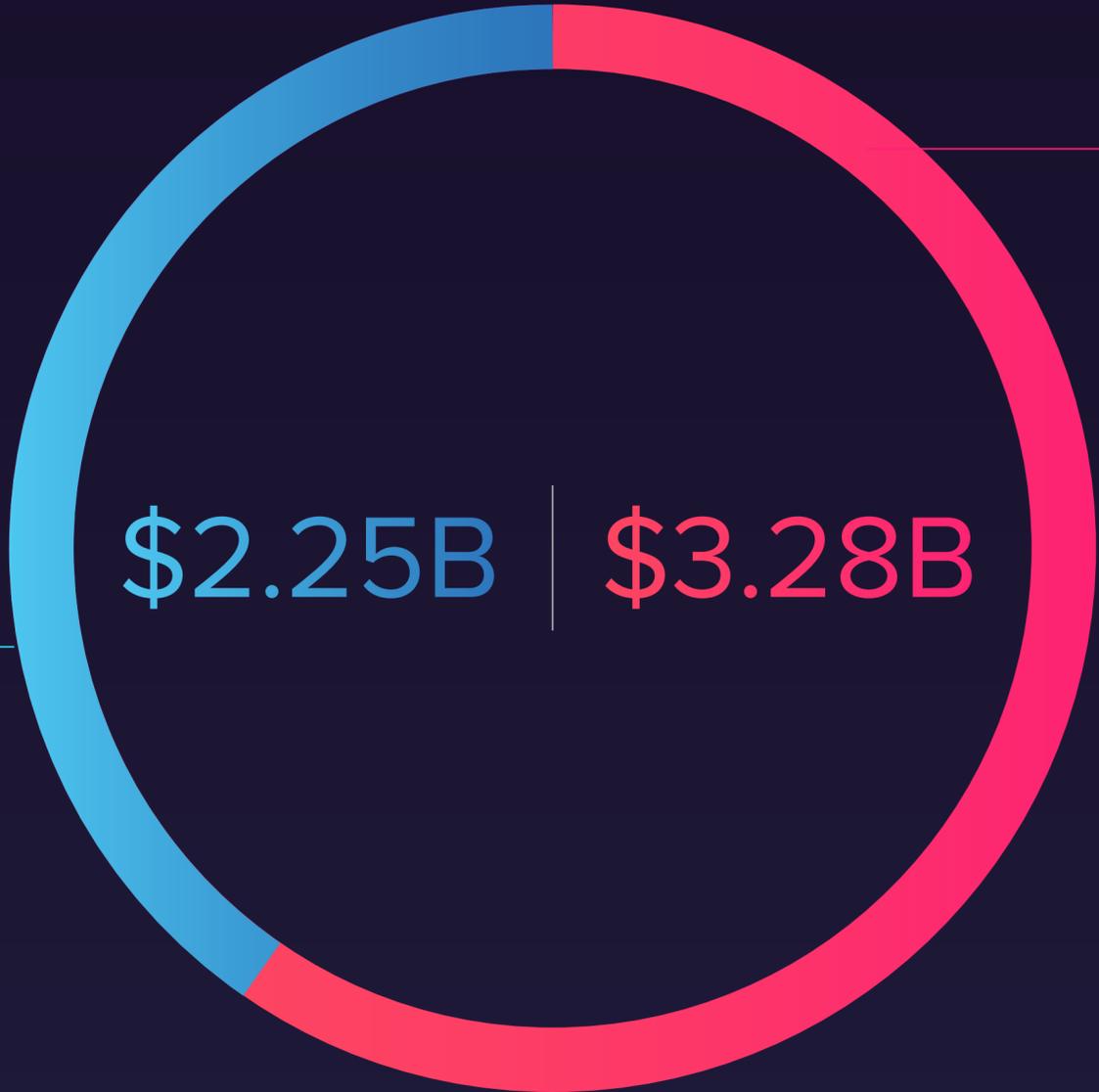
Smaller brands set a new standard to meet consumers' demands directly

Newly created direct-to-consumer (D2C) brands are hyper-focused on a highly differentiated, core product to serve their target audience's unique needs. These brands offer greater personalization and convenience than ever before on the digital shelf. Ecommerce sales accounted for almost all the growth (90%) in Fast Moving Consumer Goods (FMCG) in 2017.²

A majority of VC investment in CPG went to D2C brands

A majority of the venture capital CPG investments made from 2015 to 2019 went to brands with a direct-to-consumer component. Two hundred eighteen brands received \$3.28 billion total investments over the four-year period.

60% of money invested went to a D2C brand



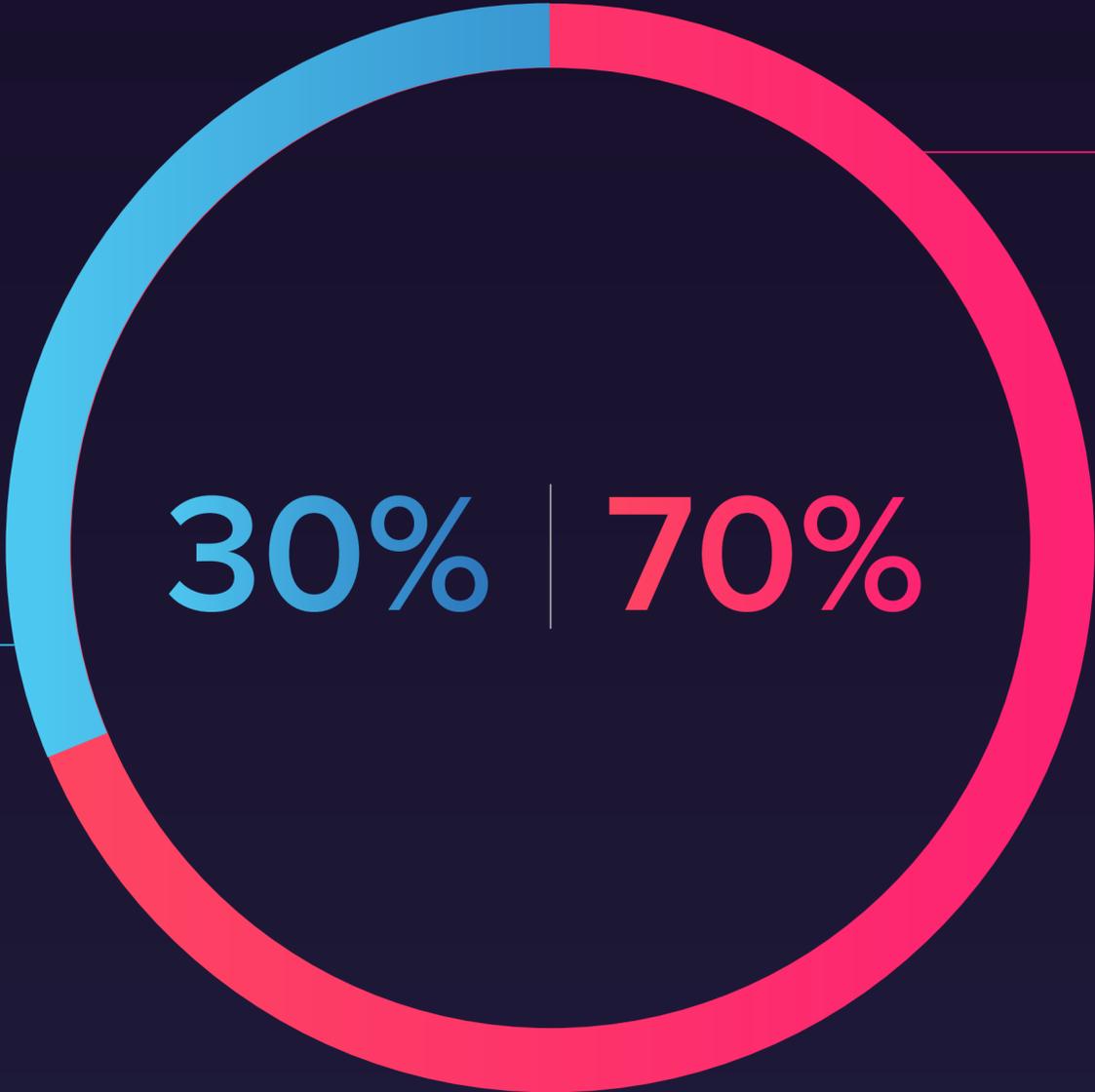
D2C
\$3.28B was invested in D2C

Making up **59.29%** of all money invested between 2015 - 2019

Non-D2C
\$2.25B was invested in Non-D2C

Making up **40.71%** of all money invested between 2015 - 2019

70% of CPG brands receiving VC Investments have a D2C component



D2C

218 D2C companies received funding

Making up 70.10% of CPG companies receiving funding between 2015 - 2019

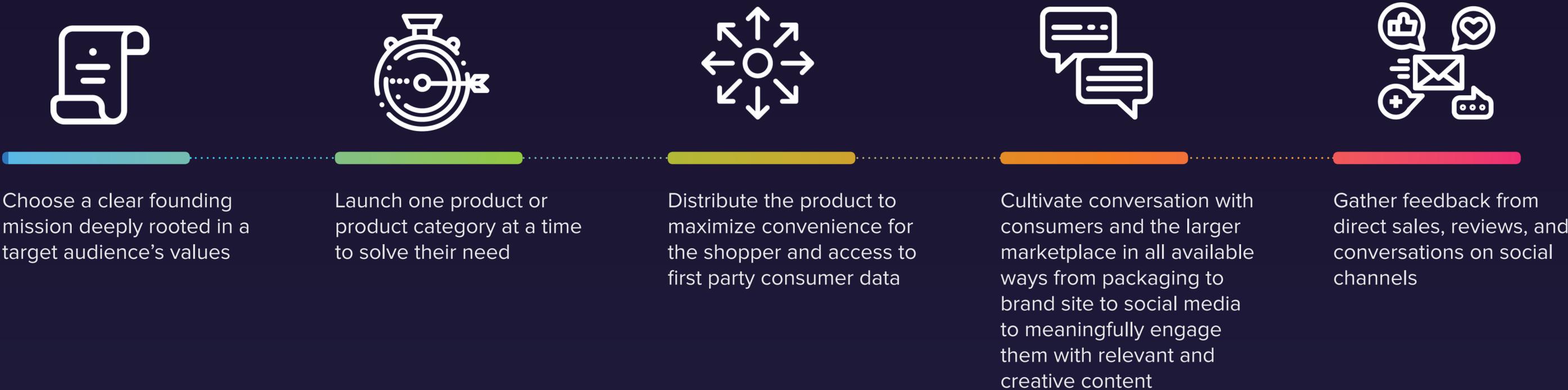
Non-D2C

74 Non-D2C companies received funding

Making up 30.23% of CPG companies receiving funding between 2015 - 2019

D2C brands compete and win on product experience

While there is no silver bullet to achieve success, small D2C brands chain several effective strategies together into a well-oiled flywheel.



CATEGORY

Beverages

CATEGORY TRENDS

Coffee, kombucha,
and other plant based
drinks are highly
popular bets.

NUMBER OF
SMALL BEVERAGE BRANDS

66

\$765M⁺

TOTAL VC INVESTMENTS 2015-2019



Califia Farms innovates in plant-based drinks

A product with a healthy promise

Califia Farms, founded in 2010 appeals to health conscious consumers with plant-based milk products that contain 57% less sugar.³

Their product line grew over the last decade to include: plant milks, juices, cold brew coffee, creamers, and probiotic yogurts - all packaged in an ergonomic, appealing curved package.



A physical footprint as ripe testing ground

Califia achieved nationwide exposure through a partnership with Whole Foods in 2013.⁴ This network of regional stores provided a fertile testing ground for new (initially limited edition) launches like seasonal Holiday Nog,⁵ Mexican summer drink Aguas Frescas,⁶ and iced coffee.⁷ Whole Foods’ discerning clientele matched well with Califia Farms’ intended niche, target audience.

Connecting directly to consumers

Califia launched their own ecommerce site in 2016 which gave them the ability to directly reach consumers.⁸ Besides increasing sales, a brand site provides unfettered access to consumer data to see which products are viewed, when, and how that coincides with brand and performance marketing metrics (social engagement and sales). Now, Califia can more closely monitor and optimize new launches like nitro coffee,⁹ oatmilk,¹⁰ or their latest innovation—Übermilk (an oatmilk product).¹¹

Sharing, not selling, to achieve resonance

Califia has grown an impressive presence on social media, with over a quarter of a million followers on Instagram—over ten times the amount of followers as competitor Almond Breeze¹² and three and a half times Silk.¹³ Califia cultivates authenticity in every interaction. Cory Lopez, Califia Farms Consumer Marketing Manager said, “our approach to social has always been to share, not sell. Our ecommerce platform reframes how sharing—through content, conversation and community engagement—can create valuable consumer experiences that ultimately convert to ecommerce sales.”¹⁴



VC Investments in Califia Farms



Industry Awards

Beverage World Magazine's Global Packaging Design Awards, taking home the Gold in the functional drinks category.¹⁵

2015 U.S.A. Taste Champion in the American Masters of Taste Championships for its winning product line in the retail/grocery categories of Refrigerated, Ready-To-Drink, Aguas Frescas and Horchatas.¹⁵



> 200,000
followers¹⁶



> 250,000
followers¹⁷



> 5,000
followers¹⁸



> 1,000
followers¹⁹

CATEGORY

Household and Personal Care

CATEGORY TRENDS

Customizable, natural, and clean cosmetics, dietary supplements, and personal care are on the rise.

NUMBER OF SMALL BRANDS

29

\$440M⁺

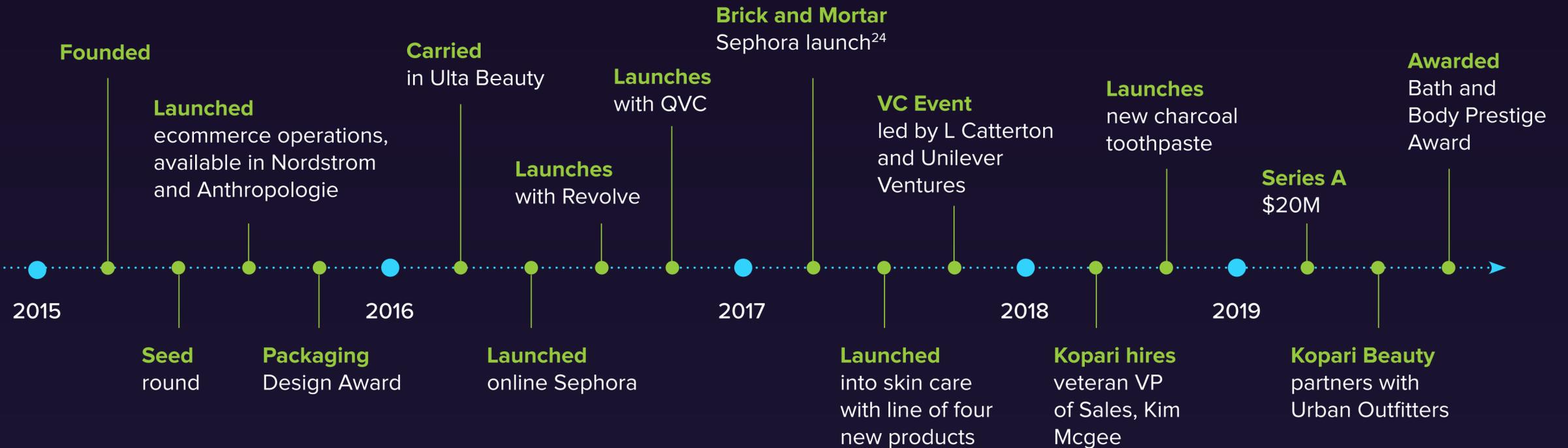
TOTAL VC INVESTMENTS 2015-2019

KOPARI

Kopari Beauty **connects** coconuts and cosmetics

A heart to heart promise

Kopari was founded in 2015 by two women with a love for coconut oil, who promised “Your Beauty is Safe with Us.”²⁰ Their goal was to appeal to a younger audience of Millennial women looking for an alternative to products filled with harsh chemicals.²¹



The coconut elixir for cosmetics

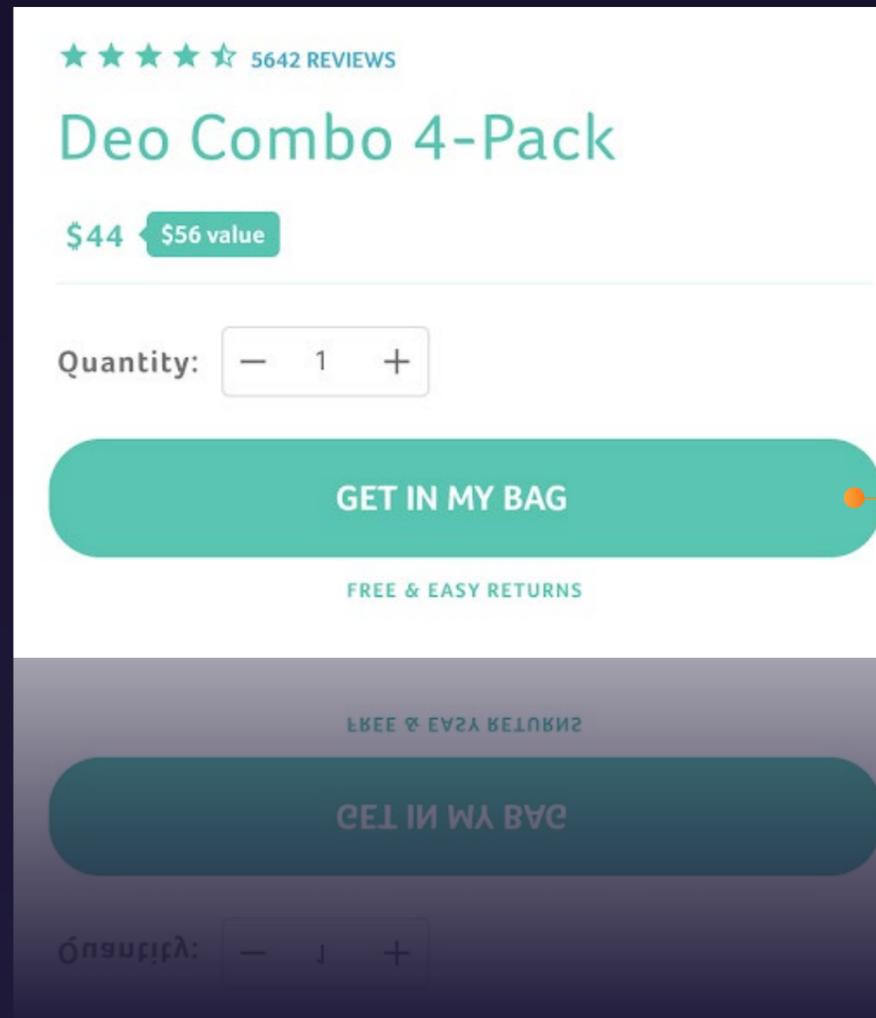
Kopari started by focusing on just seven key multifunctional, body care products, all based on 100% organic coconut oil sourced from the Philippines: crush scrub, sheer oil, melt, body glow, balm, body milk, and body oil.²² Free from GMOs, parabens, silicones, sulfates, and other harmful ingredients, they challenged the assumption that beauty products needed a long list of harmful chemicals to provide maximum performance. Today, the Kopari collection includes: skincare (launched with just four products in early 2017: coconut rose toner, coconut cleansing oil, lip love, and coconut face cream),²³ deodorant (late 2017), and toothpaste (late 2018).

Online leverage opens physical channels

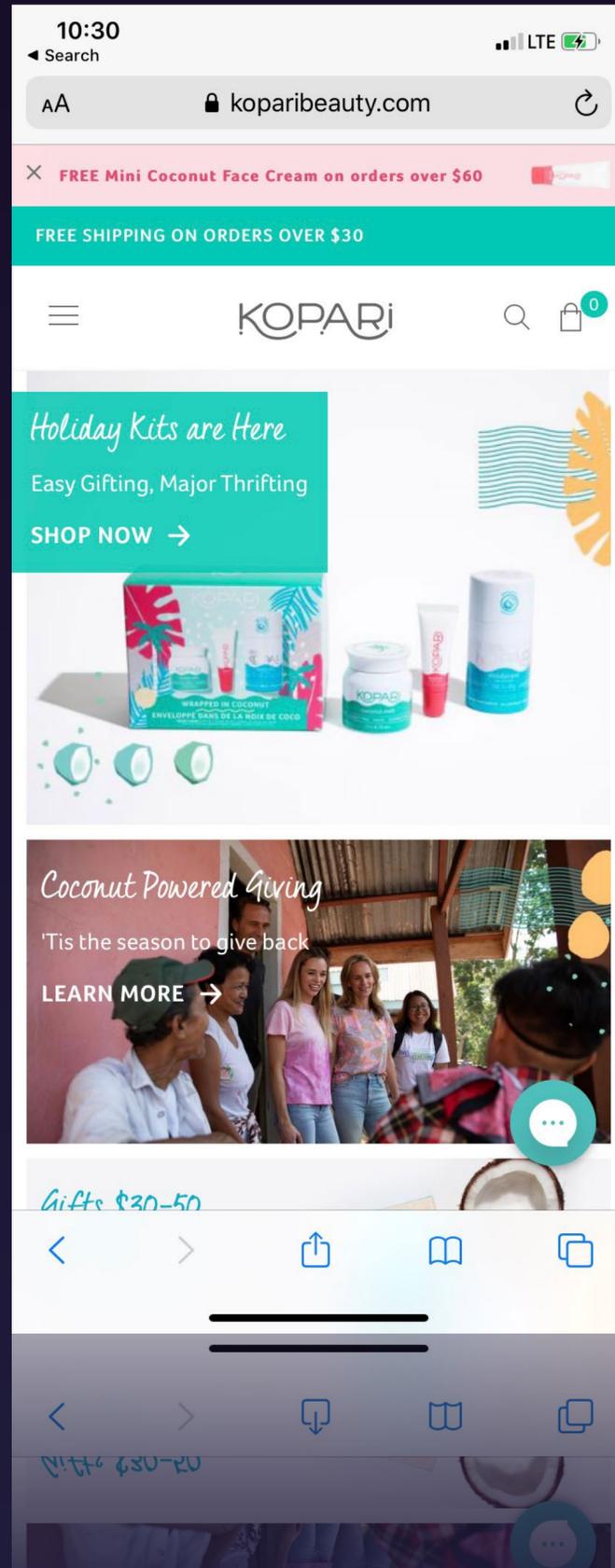
Kopari's core model started with selling directly to consumers on their own brand site (koparibeauty.com). 70% of Kopari's sales stem from its website, and total sales grew 160% year over year in 2017.²⁴ Kopari also quickly leveraged their growing influence to include other channels such as QVC, Ulta, Sephora (both online and in-store), Nordstrom, and a partnership with Urban Outfitters. Kopari's \$20M Series A²⁵ will fund further retail and international expansion, as well as R&D, ecommerce improvements focused on UX/UI, and the brand's subscription platform.²⁶

Continuously improving customer experience

Kopari uses A/B tests powered by direct access to consumer purchase data to relentlessly optimize the entire path from discovery to purchase.²⁷ Visitors enjoy a clean and personalized experience with multiple, creative ways to get Kopari products.²⁸



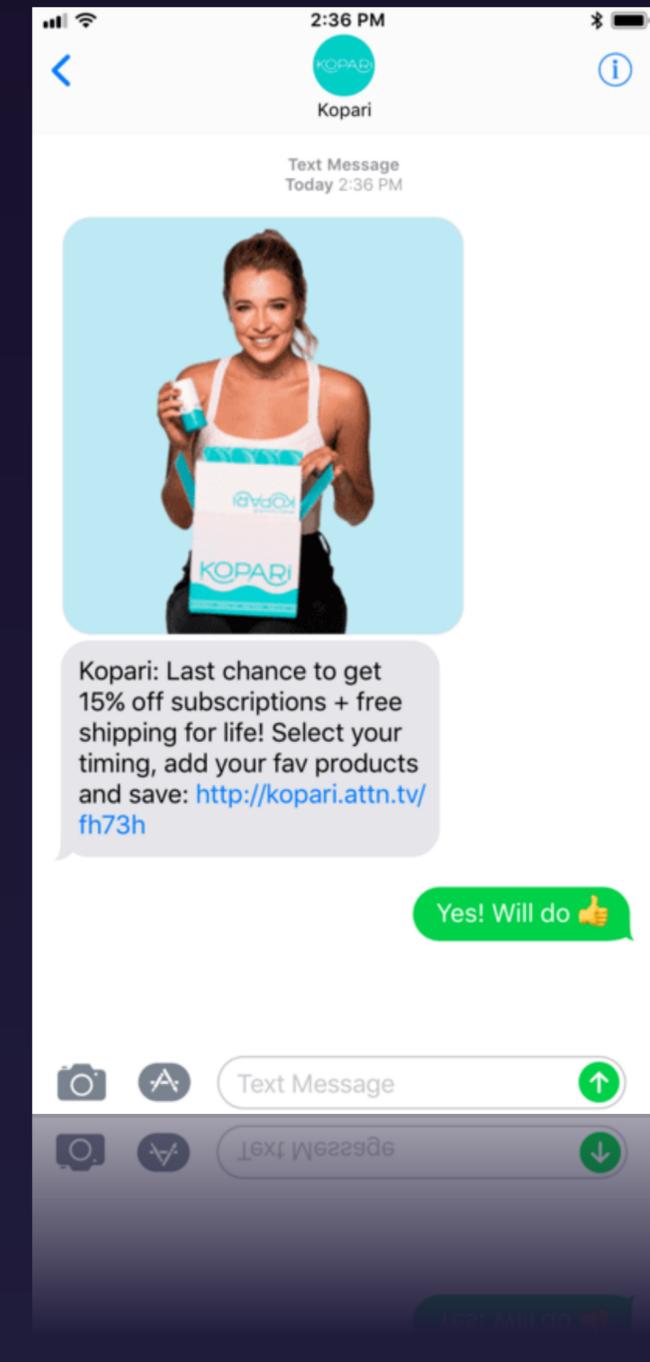
The Kopari purchase call-to-action (CTA) button doesn't say "Add to cart", "Purchase", or even "Buy". This distances Kopari from the seriousness of an "obligation" and makes it feel more like a fun, low-key shopping experience.²⁹



Kopari launched text messaging to supplement email campaigns

70% of their shoppers visited KopariBeauty.com from a smartphone and accounted for well over half of retail sales.

The SMS campaign bumped revenue up 10% and is the most popular channel by clickthrough rate.³⁰ Another example of Kopari exploring purchase path, the “Shop the post” option on blog posts displaying mentioned products for purchase, shows how focused and mature Kopari’s digital strategy has become.³¹



“Youthful-minded yet sophisticated, flirty but exclusive”

Kopari uses a cute and casual tone in their messaging to cultivate a largely younger, female Millennial target audience. Efforts to personalize the experience for shoppers through heavy A/B testing resulted in a 60% increase in revenue per shopper over a 15 month period.³²

Kopari worked with Bex Brands to develop their logo, packaging, and feel. Kopari communicates in a “best friend” sort of way to build a trusting relationship with their clientele. “All of our products are made as natural as possible with the safest ingredients. Pinky swear.” And do friends lie to you? No. Do best friends lie to you? Never. “We believe in being totally transparent about our formulas and stand by every ingredient decision we make.” Kopari Beauty markets with cheeky confidence. “Coconut Oil is the Most Kick Ass Ingredient Known to Wo(man).”³³ When

reading the Kopari Beauty story you’re greeted with a gradually changing color spectrum, perhaps an ode to the wide appeal that Kopari Beauty’s products should carry, the richness and fullness of their formulation, and the vitality that springs from their use.

The Kopari loyalty program goes by the name of “Kopari Clique.” While most of the messaging is inviting this seems to be a move to remind shoppers that Kopari Beauty is a premium brand.

“Beauty in a nutshell. Kopari is a coconut oil based beauty line, meant to whisk the consumer away on vacation, even if it’s just for a few moments.

Kopari’s vibe is youthful-minded yet sophisticated, flirty but exclusive. It’s a confident, contemporary brand that isn’t as fussy or floral as other products. Bex brought it to life by contrasting modern type with fluid forms, minimal packaging with a vivid, tropical color palette and finishing touches of palm patterns, rhythmic borders and a playfully sexy voice.”³⁴

- Bex Brands

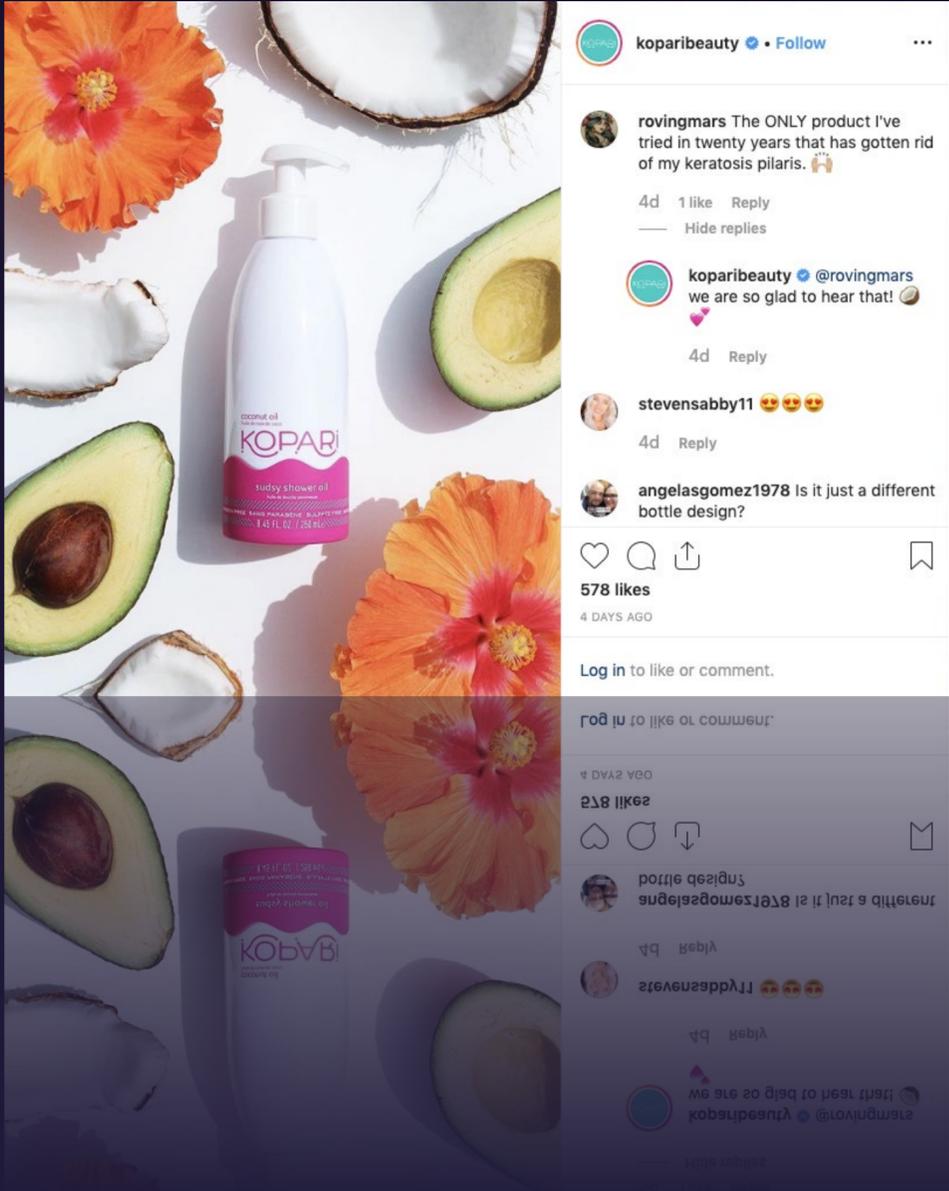
Kopari's influencer program

Kopari Crush

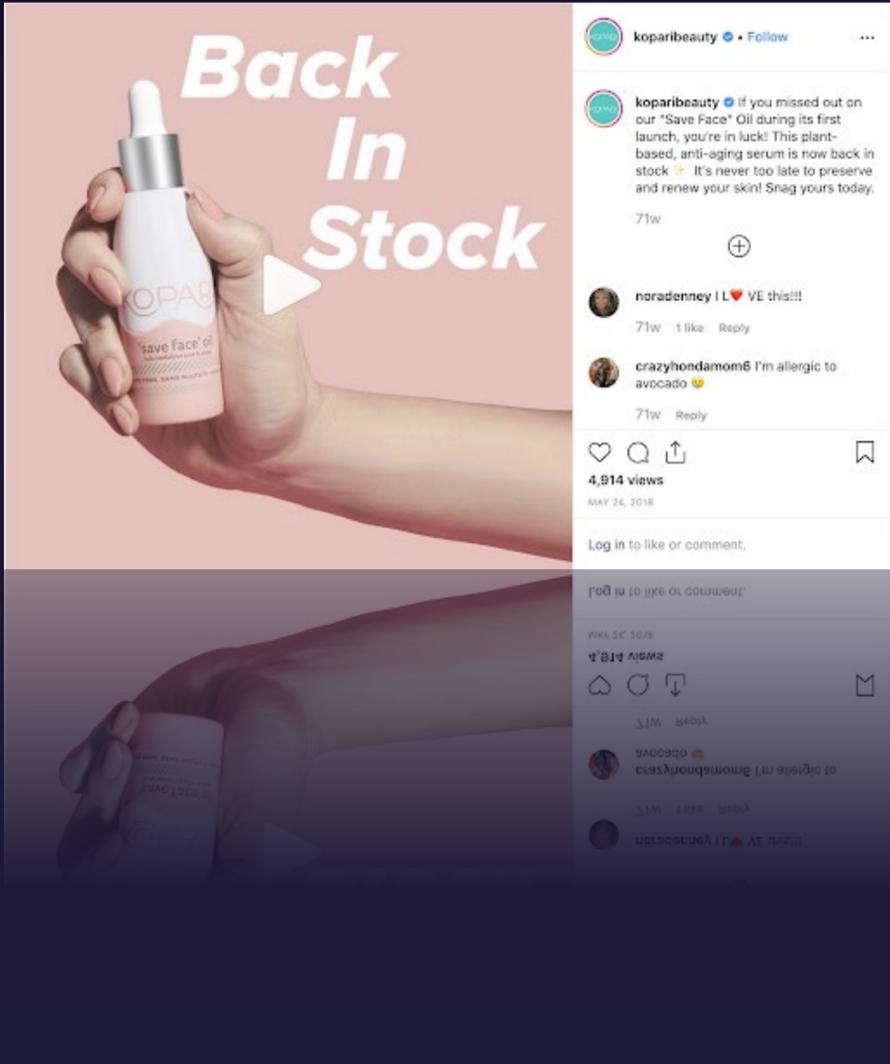
Kopari runs an influencer program called Kopari Crush using the Brandchamp platform that Kopari leverages to spur the grassroots effect.³⁵ Kopari cultivates an impressive presence on social media, with over 224,000 followers on Instagram³⁶—over 13 times as many followers as Coty,³⁷ and almost two times the amount of followers as L’Oreal USA³⁸—a remarkable achievement for such a young brand.

While market saturation takes its toll on consumers now familiar with D2C tropes, the heart of Kopari’s success rests on delivering a strong grassroots-driven, authentic message. Coordinated yet varied Instagram posts paint Kopari exactly in this light. A cute puppy with cucumbers on its eyes “how will you pamper yourself today?”. Or dozens of cutesy comments repping the pros of a coconut-centric skin care routine and a carefree life.

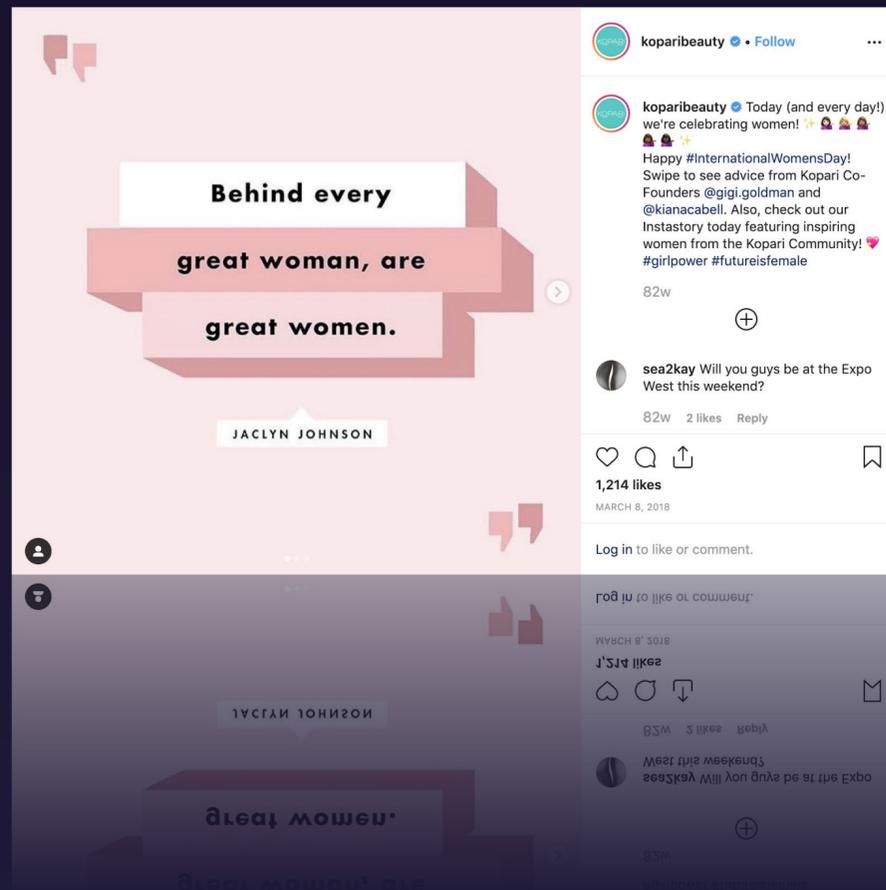
Kopari customers share their experiences.³⁶



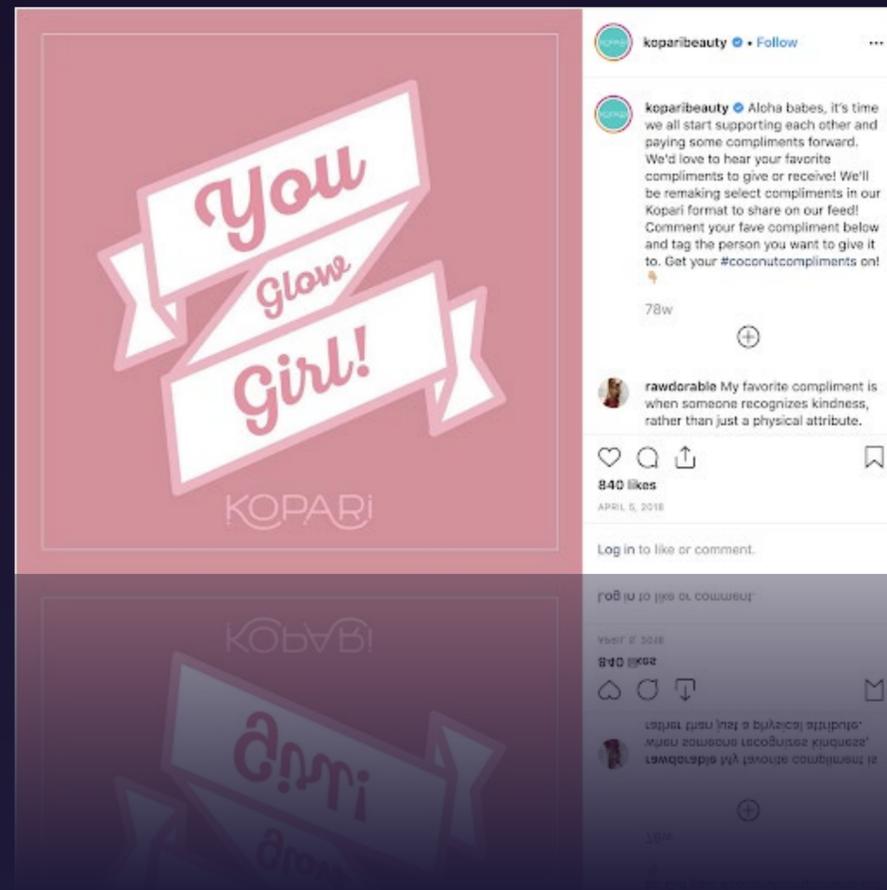
Kopari alerting consumers in a proactive way rather than waiting for them to passively find a product is back in stock.³⁶



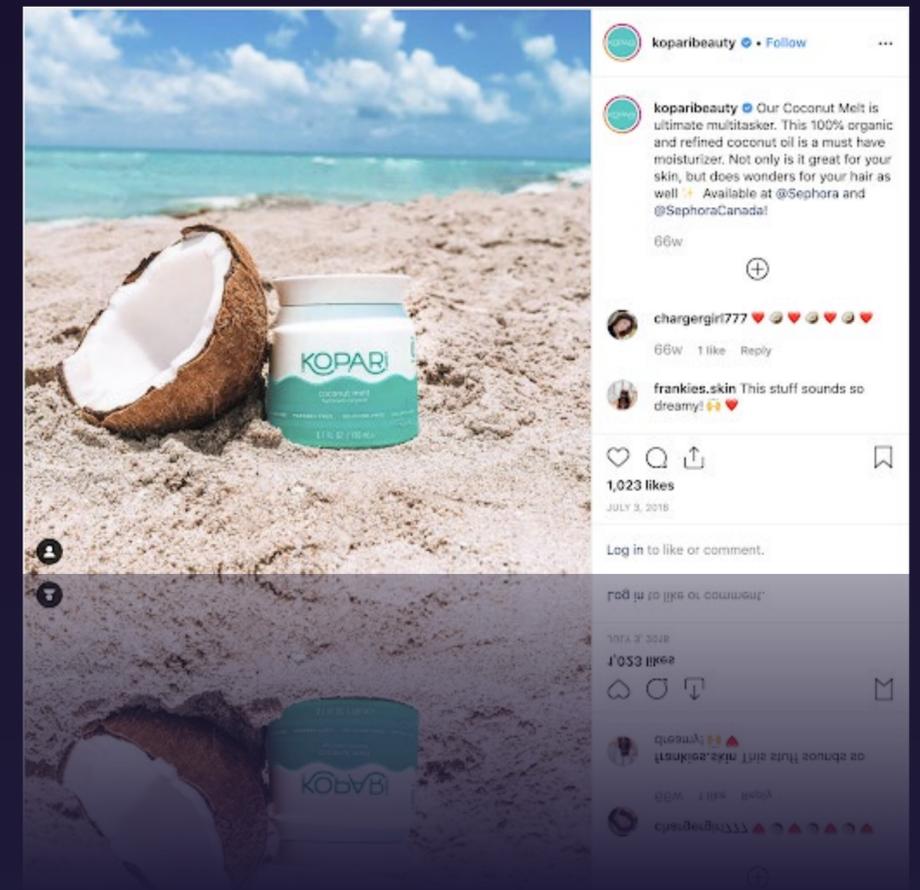
Kopari with a societal message.³⁶



Kopari encouraging kindness.³⁶



Chances are you won't be using this product on that beach, but it sure can make you feel like you're there...which is the point.³⁶



KOPARI

VC Investments in Kopari

\$25K

2015
(seed)

\$20M

2019
(Series A)

Industry Awards

- GDUSA American Packaging Design Awards - 2015
- Packaging of the World³⁹
- Bath and Body Prestige award - 2019 CEW Beauty Awards⁴⁰



> **150,000**
followers⁴¹



> **200,000**
followers⁴²



> **5,000**
followers⁴³



> **5,000**
followers⁴⁴

CATEGORY

Snacks and Confectionery

CATEGORY TRENDS

Typically plant based bets ranging from chickpeas to kelp to crickets.

NUMBER OF SMALL BRANDS

55

\$210M+

TOTAL VC INVESTMENTS 2015-2019



Hippeas cultivates a carefree, cool image

A snack with a purpose

Hippeas was founded in 2014 with a mission to sell one thing—snacks made of chickpeas—and conquer global food issues like hunger at the same time. Right now that remains their only focus as they penetrate the global vegan food market which is estimated to reach \$24.3 billion by 2026.⁴⁵ By creating a vegan product with an authentic message, Hippeas appealed not just to vegans but all those who feel connected to the peace movement of the 60s.



“Give peas a chance”

Hippeas sells just one product, chickpea puffs, in six flavors: vegan white cheddar, nacho vibes, himalayan happiness, sriracha sunshine, bohemian barbecue, pepper power.⁴⁶ All Hippeas snacks are gluten-free, kosher, nut-free, certified organic, vegan, non-gmo, and soy-free. They challenged the assumption that chickpeas were only popular in the mainstream via hummus and raised over \$22M since 2017. Today, Hippeas is still seeking to increase their market penetration prior to branching out into other snack lines.

Available on hippeas.com and 30,000+ physical locations

Hippeas sells directly to their consumers through hippeas.com. By maintaining a direct line to their consumers, Hippeas is able to know exactly how which products are performing, when, and correlate that to ad campaign performance. Hippeas is also available in over 30,000 grocery and convenience stores like Whole Foods, CVS and 7-Eleven. Crucial among these is a partnership Hippeas struck with Starbucks in over 11,000+ of their locations.⁴⁷ Other retailers offering Hippeas include: Ahold, Albertsons, Bristol Farms, Central Market, Costco, HEB, Kroger, Safeway, Shaw’s, Sprouts, Target, and Wegmans.⁴⁸

Venti soy chai and a bag of Hippeas, please”

Besides the convenience of ordering directly online, Hippeas came out with one of the more interesting pairings: Salty, chickpea puff snacks and coffee. Their partnership with Starbucks allows Hippeas to be part of the impulse buying path that attracts so many people every day. Coffee in general and especially Starbucks are daily habits for millions of people worldwide, so it’s a creative and strategic move for Hippeas to insert themselves into that daily habit.

“We’re shaking up snacking, one puff at a time”

“We’re shaking up snacking, one puff at a time. Simple ingredients, far-out flavor. So, go ahead, stick it to the man and Give Peas A Chance®.”⁴⁹ Bright, cheerful, and snappy, Hippeas knows how to appeal to consumers. They’ve dotted their Instagram feed with chill oranges, pinks, and yellows. Happy friends, Hippeas bus, snacks for picnics and hiking, kids’ lunches. Neat and popping. A snack for all. You can even fill up the YETI cooler with them. There are Hippeas skateboards, and even both hands, filled with the puffs, held out in the well-known pose of farmer freshness.

By selling the story that this isn’t just any snack, but a healthy snack that you can feel great about, Hippeas has grown an impressive presence on social media in a short amount of time, with over 75,000 followers on

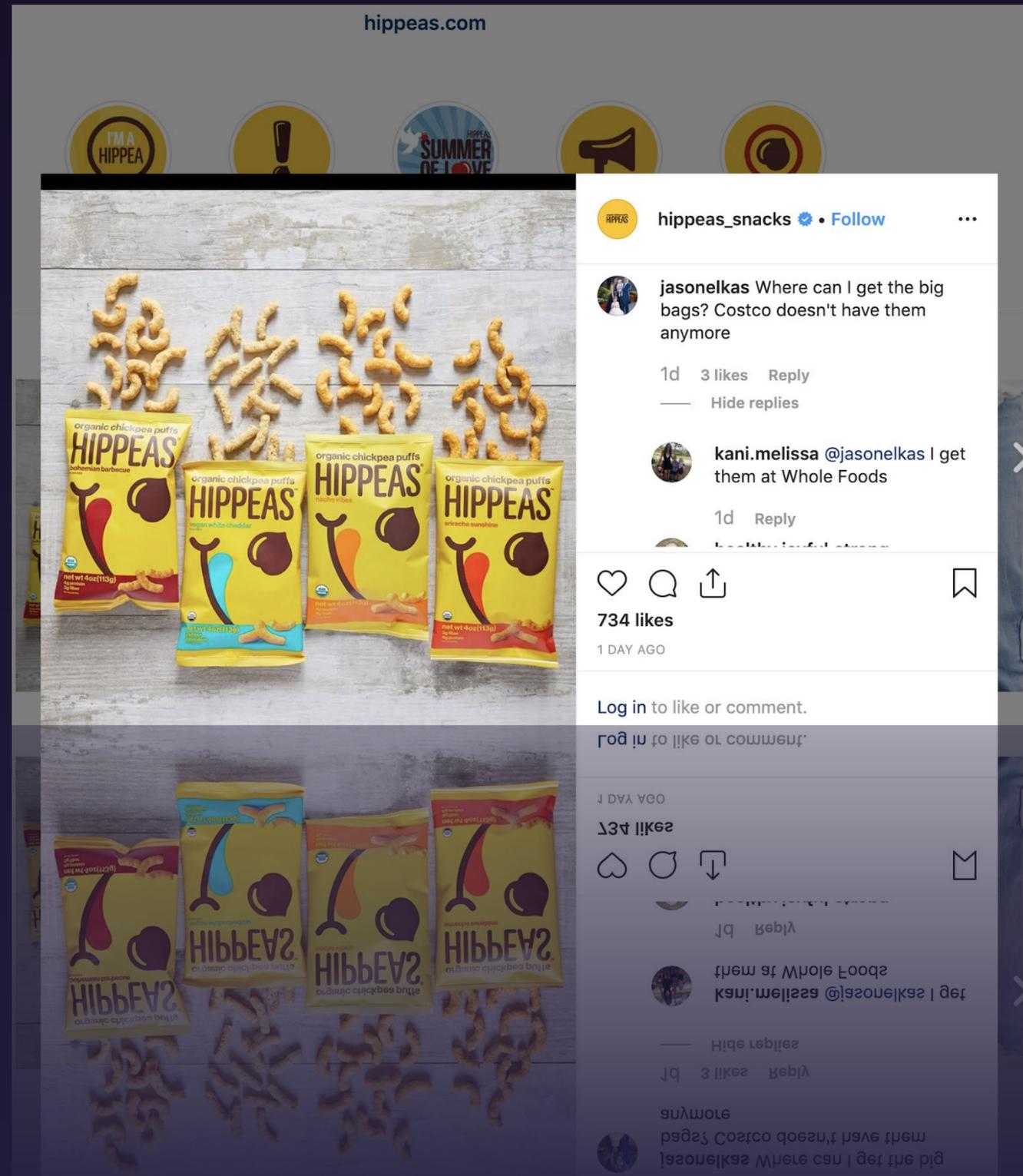
Instagram⁵⁰—over four times the amount of Instagram followers as Vegan Rob’s⁵¹ and about 30% of the followers as Cheetos. Considering Cheetos⁵² Puffs have been around since 1971, it’s a great indicator for so young a brand as Hippeas. They know every interaction with their consumers must feel authentic and on-brand. “These puffs give all the “cheeze” feels, minus the guilt. Kick back and snack, ‘cuz these are nacho average puffs.”

“ For us we were very focused on building a community online and that means keep working with influencers and social [...] our challenge still remains awareness and trial, so we have an incredible conversion rate from trial and that’s where our energy and focus is over the next few years.”⁵³

– Livio Bisterzo, Founder

“A fist pump of pepper and a sprinkle of sea salt. Down with the man, power to the peas.”⁵⁴

Besides sharing the love, this is an example of the community Hippeas has fostered that can answer questions without the brand even needing to engage.⁵⁵





VC Investments in Hippeas

\$10M
2017

\$12M
2018

Industry Awards

- Gold - 2017 Food Producers DBA Design Effectiveness Award⁵⁶



> **10,000**
followers⁵⁷



> **70,000**
followers⁵⁸



> **5,000**
followers⁵⁹

CATEGORY

Prepared Foods

CATEGORY TRENDS

Despite Blue Apron's struggles, set-it-and-forget-it healthy eating still attracts hopefuls.

NUMBER OF BRANDS

23

\$1.37B⁺

TOTAL VC INVESTMENTS 2015-2019



Hungryroot is hungry for healthy food innovation

Vegetables were too hard to eat

Hungryroot was founded in 2015 to make vegetables accessible and desirable to all. They started with just six, 7-minute meals.⁶⁰ Combined with proprietary packaging that maintained freshness longer, Hungryroot gained an early competitive edge in a crowded space.



Healthy meals on repeat... after working out the kinks

Hungryroot had to hit pause for six months, while they retooled from a single production facility operated by Hungryroot to using multiple, single use case, third party vendors (for example, one facility to produce desserts, and another to produce beverages) to achieve the scale necessary to support their aspirations. In order to make the transition, Hungryroot gave up almost \$1M in monthly recurring revenue (MRR) while vetting and setting up relationships with new vendors.⁶¹

They challenged the assumption that they were just another meal kit provider, tripled revenue in the wake of the retooling, and raised \$22M.⁶²

From fast, vegan meals to fast, healthy meals for all

Hungryroot started by focusing on vegan meals, but pivoted in late 2019 to establish itself as a personalized online grocery service to make healthy living easier. While subscribers can still craft an entirely vegan experience, Hungryroot now offers protein like Hot Smoked Roasted Salmon or Sweet Italian Chicken Sausage, and over 100 other products ranging from grains and pastas to fresh vegetables and sauces. Besides expanding its total addressable market (TAM) to include other categories of eaters (for example: paleo, pescatarian, etc.), Hungryroot now offers similar partner brands in 30% of their weekly product offerings.⁶³ This further opens Hungryroot to

attract existing consumer bases for products from brands like: Beyond Meat, Hail Merry, and Banza, and positions Hungryroot as a potential high-end private label brand in a future where they carry thousands of competing, but still complementary products that adhere to their mission.

Founder, Ben McKean said:

“What makes Hungryroot special isn’t being the best at how to produce food; it’s understanding what food to produce and for whom. To do this better than anyone else requires a relentless focus on the end consumer, not on the manufacturing operation. This clarity led to the decision in March of 2017 to completely pivot our supply chain and move out of the business of directly manufacturing food.

This was an extremely difficult decision because we knew that to do so correctly required shutting down our Queens facility to focus 100% on setting up our new supply chain. This meant that we could no longer support those 70+ jobs, and we had to pause customer shipments for six months — a consequence that our team and investors weighed heavily.”⁶⁴

While admittedly in competition with grocery stores like Whole Foods, Hungryroot sees itself as an innovation platform for emerging products rather than being squarely in competition with traditional grocery.

“ We got a sharper focus on where we were adding value. And it wasn’t that we were better at chopping vegetables. It was that we had this insight into what today’s consumer wanted.”⁶⁵

Jeremy Liew,
Lightspeed Venture Partner
and Hungryroot board member

Customizable, yet simple signup flow

Hungryroot understood that many people typically struggle with every part of eating: from meal planning to shopping to preparation. Hungryroot first finds out what types of food they like or need (for example: dairy-free, gluten-free), and then acts as a “personal assistant” who can be as involved as the shopper would like. While they allow shoppers to fully customize their weekly deliveries, Hungryroot wants shoppers to let them curate the menu for them. Every meal takes around 10 minutes or less to make, and they offer ready-to-eat meals too.

With the recent site redesign as part of the overall brand refresh,⁶⁶ Hungryroot streamlined the experience for shoppers, keeping very little between the customer and the purchase. The home page quickly and visually (timeline style) explains how Hungryroot works and their philosophy, and then whisks shoppers away to a sign up page. After signing up, you just select your dietary preferences and basket size (small, medium, or large), and that’s it. The site is optimized for sign-ups first then purchases as pricing is not even visible prior to signing up

unless you dig for it in the FAQ. Conspicuously, no menu items are visible. If you’re not interested in the concept, it’s a nonstarter right?

Hungryroot shares data with partner brands. After innovating on the Hungryroot platform, those products can be scaled through traditional grocery channels.

“

Traditional grocers seek to maximize sales with proven, mainstream items, Hungryroot’s platform seeks to maximize customer feedback, personalized experiences, and product discovery”⁶⁷

Ben McKean,
CEO and Founder
of Hungryroot

The Hungryroot pop-up shop in NYC illustrates their commitment to delighting consumers and enhancing the feedback loop.⁶⁸



Real food for real life

Hungryroot's messaging aims for an inviting and clean ethos, channeling an almost Brandless sensibility. "Hot Smoked Roasted Salmon," "Cherry Chia Maple Oatmeal," "Black Bean Brownie Batter" in big, bold lettering splays across cartons and bags. The focus is on removing the obstacles between people and food. And now, with Hungryroot's rebrand there's an added emphasis on personalization: "Healthy is personal. Eating fresh, high-quality food should—and can—be convenient, no matter what healthy means to you." Hungryroot will cater to your exact needs, and respects your high standards. "Real food for real life. We only carry brands that meet our three-point standard for nutrition, convenience, and taste. Since our selection rotates as often as your tastes do, there's always something new to try."⁶⁹ Hungryroot understands you, and their meals won't get old and boring.

“Every interaction becomes an insight that we can use to develop new items that customers will love.”⁷⁰

Ben McKean,
CEO and Founder
of Hungryroot

“Love your groceries”⁷¹

Luke Cleveland reviewed Hungryroot — 5★
March 21 · 🌐

I absolutely love this service! It has helped me lose almost 60 pounds since Christmas! It has also helped me to go off of my blood sugar medicine. Thank you hungryroot!



Hungryroot
Food & Beverage Company

194,784 Likes
1,333 talking about this

👍❤️ 12 1 Comment

Denise Ravatt reviewed Hungryroot — 5★
August 25, 2018 · 🌐

The meals were delicious, easy, low in calories and fat! I love eating vegan but have trouble coming up with meal ideas. I also loved the oatmeal and brownie batter! I'm a teacher and had just started back to school when my first box arrived! It was so great to have easy, healthy, great tasting meals to make everyday! The only negative is that a lot of the meals have higher sodium content. I ordered the ones with lower counts, and just didn't add as much of the dressings or sauces to lower the sodium:)



Hungryroot
Food & Beverage Company

194,784 Likes
1,333 talking about this

Mary Zmk recommends Hungryroot.
October 9 at 4:29 PM · 🌐

we're on week 2. have found a couple things we disliked, and now several we LOVED. The kohlrabi noodles with smoky green lentil salad and super good tomato, and the superblend salad with Smoky green lentil salad and lemon tahini were both fantastic, and got gobbled up. we've also found we love their kale pesto and lemongrass tofu nuggets. looking forward to trying more.

👍 1 1 Comment

Hungryroot So glad you've found some Hungryroot favorites, Mary! We have lots of yummy new products coming out this month as well, and we can't wait to hear about which ones you love! 😊

Hungryroot Quarterly Revenue Since Inception⁷²





VC Investments in Hungryroot

\$2M

2015
(seed)

\$3.7M

2016
(Series A)

\$7.7M

2017
(Series A)

\$20M

2018
(Series B)

Industry Awards

- Named to Forbes' CircleUp25: The 25 Most Innovative Consumer Brands of 2016⁷³



> **175,000**
followers⁷⁴



> **100,000**
followers⁷⁵



> **1,500**
followers⁷⁶



> **1,000**
followers⁷⁷

CATEGORY

Household & Personal Care

CATEGORY TRENDS

Customizable, natural, and clean cosmetics, dietary supplements, and personal care are on the rise.

NUMBER OF BRANDS

29

\$437M⁺

TOTAL VC INVESTMENTS 2015-2019

Grove

COLLABORATIVE

Grove Collaborative
wants to pamper
your home, your
pets, and you

Society crowns a new unicorn of household and personal

Grove Collaborative (originally ePantry) was launched in 2012 to bring healthy household and personal items directly into your home on your schedule, and, on that premise, raised over \$210M— with \$150M of that coming in one massive Series D. With over half a million Instagram and Facebook followers to market to, Grove Collaborative is making a meteoric rise on a \$1B valuation.⁷⁸



Paper towels (and more) on repeat...and an entrance to clean beauty

Grove Collaborative started by selling subscriptions of third party, natural household products. They challenged the assumption that people weren't buying natural household products because they were too expensive, but because it was not convenient. The original prototype asked shoppers a series of questions to determine who lived in the

home and their cleaning habits. Then shoppers could pick their favorite brand, remove items they didn't want shipped to them, and drag and drop schedule individual products, adjusting quantities as necessary.

ePantry - a first attempt

As of 2014, there were around six brands with four to five hundred SKUs on then ePantry, including: Method, Seventh Generation, and Mrs. Meyers.⁷⁹

At the time, ePantry was just beginning to expand into personal care. Today, Grove invites shoppers to search by "shopping list" (Facial Care, Hair Care, Household, Vitamins & Supplements, Bath & Body, Paper & Pantry, Pet Care, Baby & Kids), or to explore by areas in their home (Laundry, Bathroom, Kitchen)

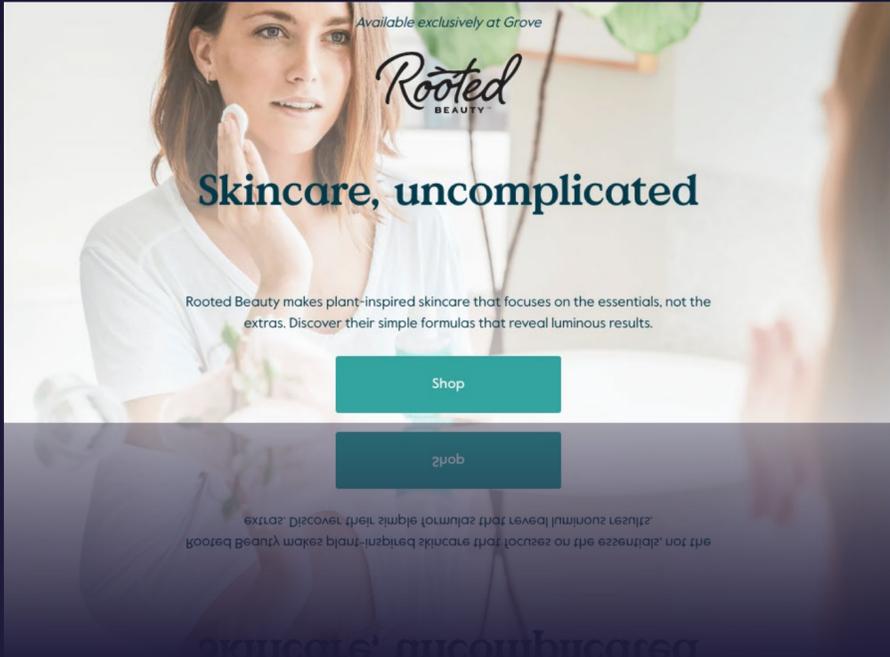
Grove private labels

Grove recently launched their own products: household essentials (for example dish soap, gloves, sponges, etc.), a next-gen laundry line (with glass dispensers to reduce plastic waste), Seedling for paper products, Rooted Beauty for skin care, HONU for vitamins, and acquired Sustain Natural for sexual wellness. Just this past week Grove launched into clean beauty with a new brand called Roven. Roven exists to transform the beauty industry

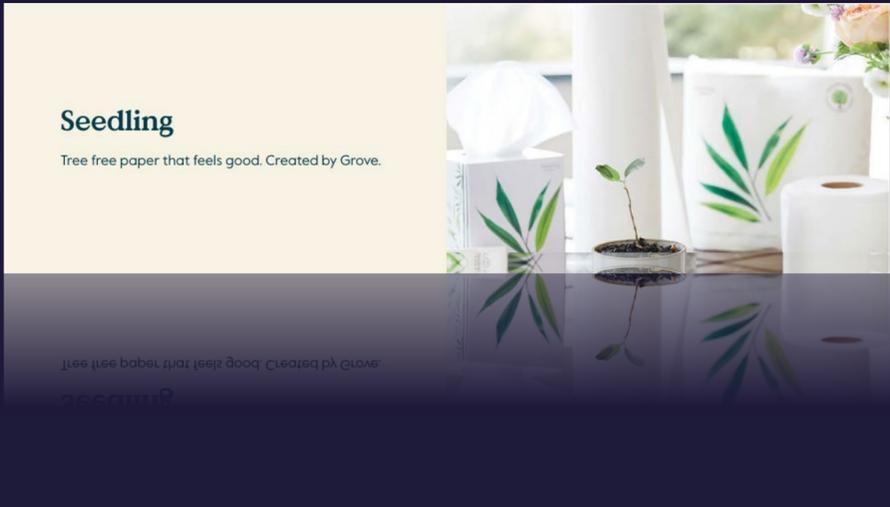
from one that starts with outward beauty, and instead begins with how women feel. Roven employs 150 “beauty guides” (just like the Grove guides at Grove Collaborative) to offer high touch personalization. It’s an interesting play that puts Grove (Roven) into a unique position, with more breadth than an individual beauty brand, but it’s more opinionated than a typical beauty retailer, with the possible exception of competition from Target

Beauty Concierge. While Target is a retailer that offers the unbiased opinion of their experts both in-store and through online chat, Roven is Grove’s way to own clean beauty and push the industry away from harmful chemicals.

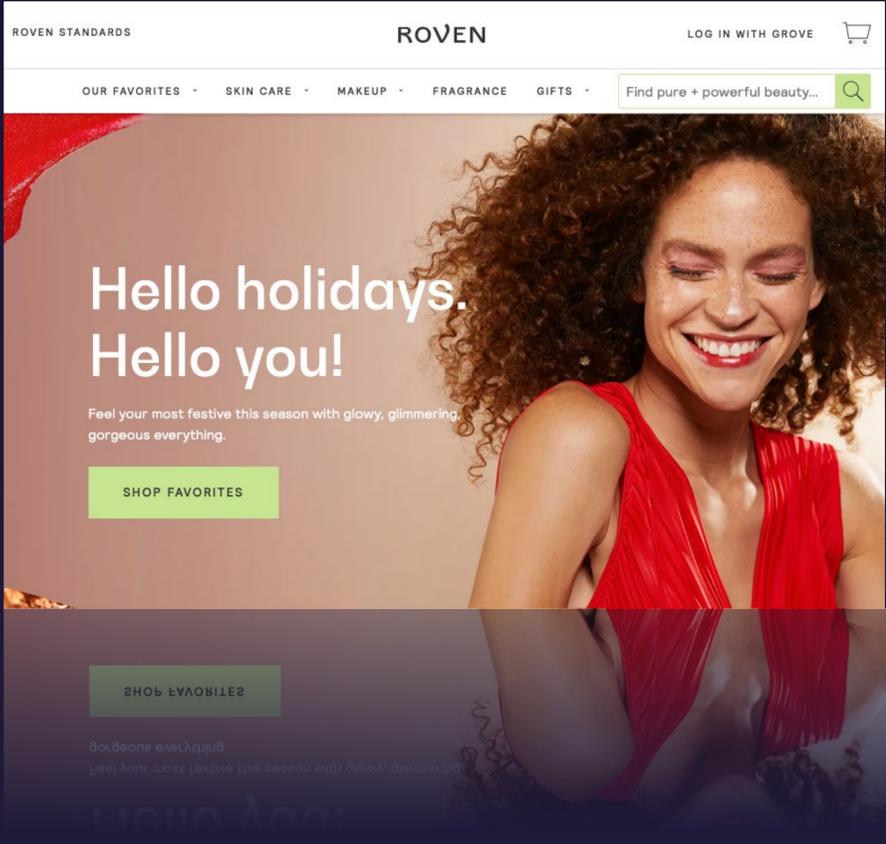
Grove skincare products⁸³



Grove environmentally friendly paper products⁸⁴



Grove beauty⁸⁵



“ As retailers invest heavily to design specialty and premium private labels, the [private label] brands are no longer seen as a generic alternative to higher-quality national brands. The same goes for The Fresh Market, where Michael Beck, director for private label, said in a statement that the company expects its private label products to be even better than the best-selling national brand in a category.”⁸⁶

D2C brand positioned as retailer with powerful white label

Grove Collaborative sells through a subscription model on its own brand site. The unit economics work better selling products in bulk, and Grove has doubled down not only on its partnerships with brands who view the customers Grove has cultivated as differentiated, but also on their own products. Grove's new clean beauty brand Roven feeds into the same Grove subscription model with customers being redirected to the grove.co site to purchase via the same method.

Native D2C brands don't shy away from brick and mortar; they just know that they need to capitalize on it in a way that emphasizes their strengths. Grove opened its

first store, a flagship location for their new beauty brand Roven in Venice Beach, CA. Featuring 40 non-toxic beauty brands, it's designed to be an immersive experience that emphasizes the brand story—inclusion and natural beauty. While its physical presence is small right now, Grove is using it to enhance shoppers ability to experience the brand, so that they can then take advantage of the subscription model that Grove has been busy perfecting.

Grove flagship store ⁸⁷



Corner stores beware: Grove subscription coming to a neighborhood near your

Grove was founded to make the entire process of shopping for household items as painless as possible. Customers can easily adjust what they want in each order, or they can sit back and let Grove’s algorithm do the rest. Grove’s vigorous testing led to adjustments like standardizing to ship every other month. To hook would-be subscribers, Grove is offering a free 60-day VIP trial membership, and free gift sets to new customers.⁸⁸



Welcome to Grove

Free 60-Day VIP Trial
Free Shipping

Welcome to Grove

\$20 order minimum applies



A little something extra

As a bonus we've added a free Glass Spray Bottle + Glass Concentrate (reg. \$14.95) to your order.

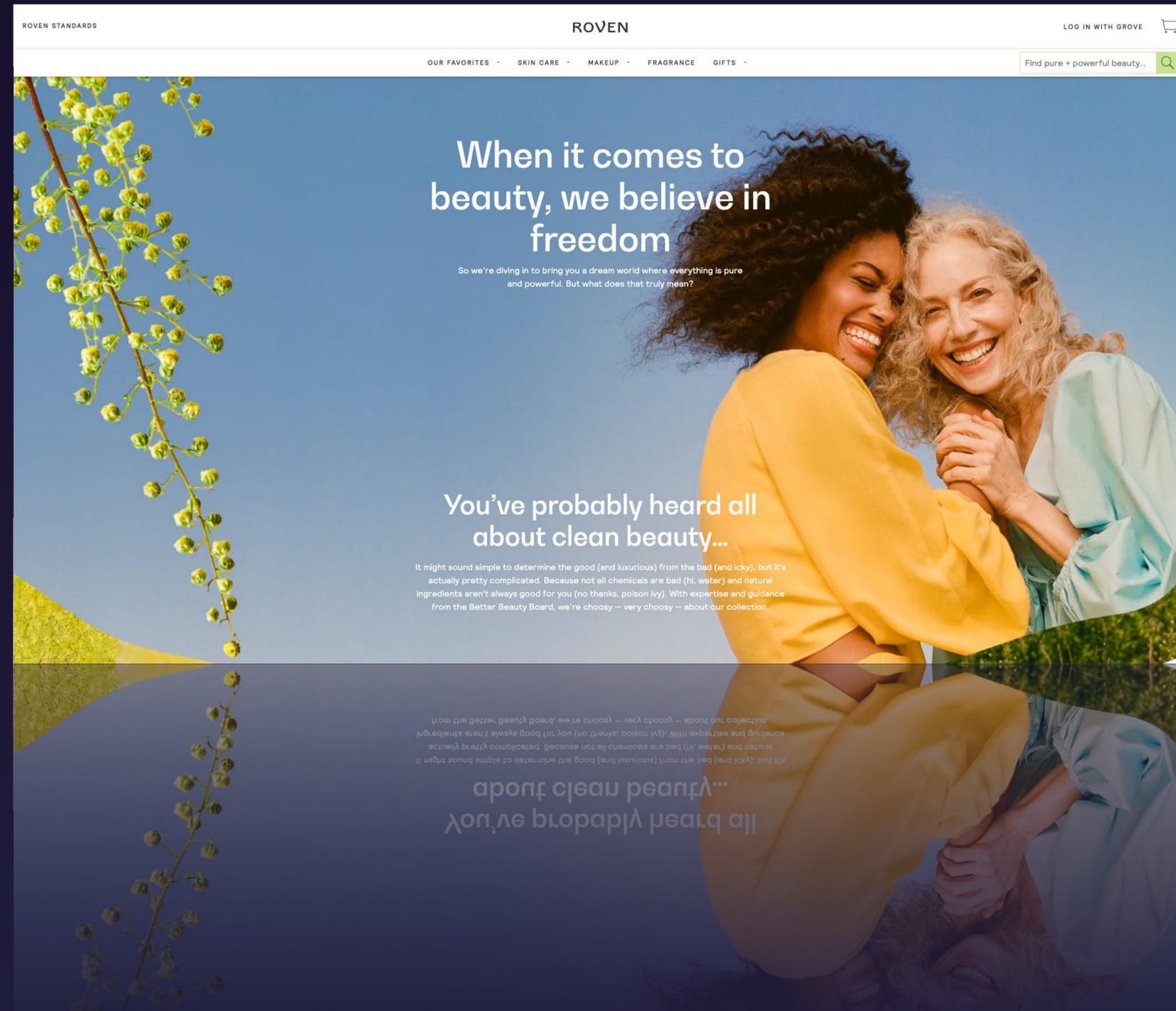
-The Grove Team

Continue

“#realfeelsbetter”

Grove champions clean beauty through Roven.⁸⁹

Grove has an opinion. They believe that items need to earn a place in your home. And, since this is not an easy thing to figure out yourself, they provide Grove Guides (consultants to discuss products). Grove’s beauty brand Roven positions itself with a decisive openness: “Welcome to a new world where beauty is a feeling and everything is pure, powerful and vetted.” Everything feels very inviting: “COME ON IN”—a physical phrase in a digital environment. Heading down the page: “First things first, let’s talk skin care” and “How about makeup?” and then “Hey, looking for recommendations?” or “Say hey anytime. We’ll chat beauty till the sun goes down (and after). So send us your questions and show us how #realfeelsbetter to you.” Through this flow Grove establishes a conversational tone with their shoppers. As a Certified B Corp, Grove is recognized as a business “doing good for people, animals, communities, and the planet.”⁹⁰ Grove plans to save 1M pounds of plastic in 2019.⁹¹

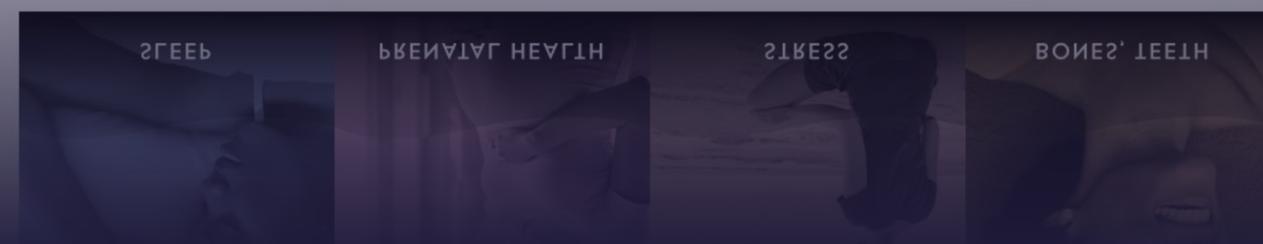
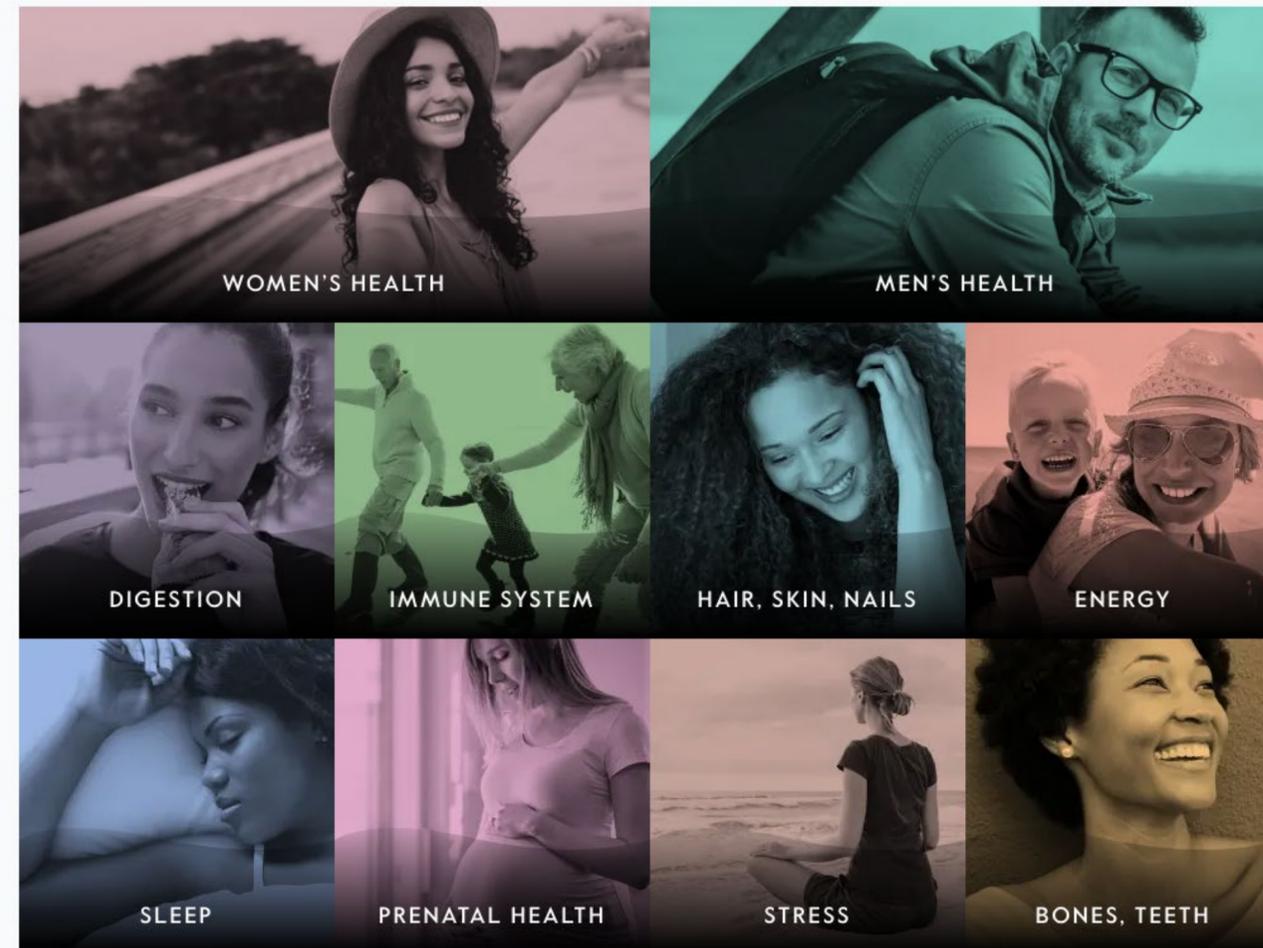


Sophisticated navigation to find exactly what you want

Grove Co. shares the same DNA as so many other D2C brands that communicate well with their audience:

- They have a singular mission (“A care package for your home, on your schedule”)
- They communicate it simply and passionately (“Everything you need to create the home you love”)
- They make the experience to get started and continue effortless (“Customizable refill shipments. Timely reminders. Free shipping. Eco minded. Happiness guaranteed.”)
- They’re also willing to burn cash to establish their base (“Enjoy a free \$35 Mrs. Meyer’s Cleaning Set with your first order”. This feels reminiscent of Jet trying to establish share with steep discounts at launch)

What do you want to improve?



Grove

COLLABORATIVE

VC Investments in Grove Collaborative



Industry Awards

- Certified B Corp⁹³



> 250,000
followers⁹⁴



> 250,000
followers⁹⁵



> 4,000
followers⁹⁶



> 15,000
followers⁹⁷

Big brands are responding by buying their smaller competitors and funding incubators

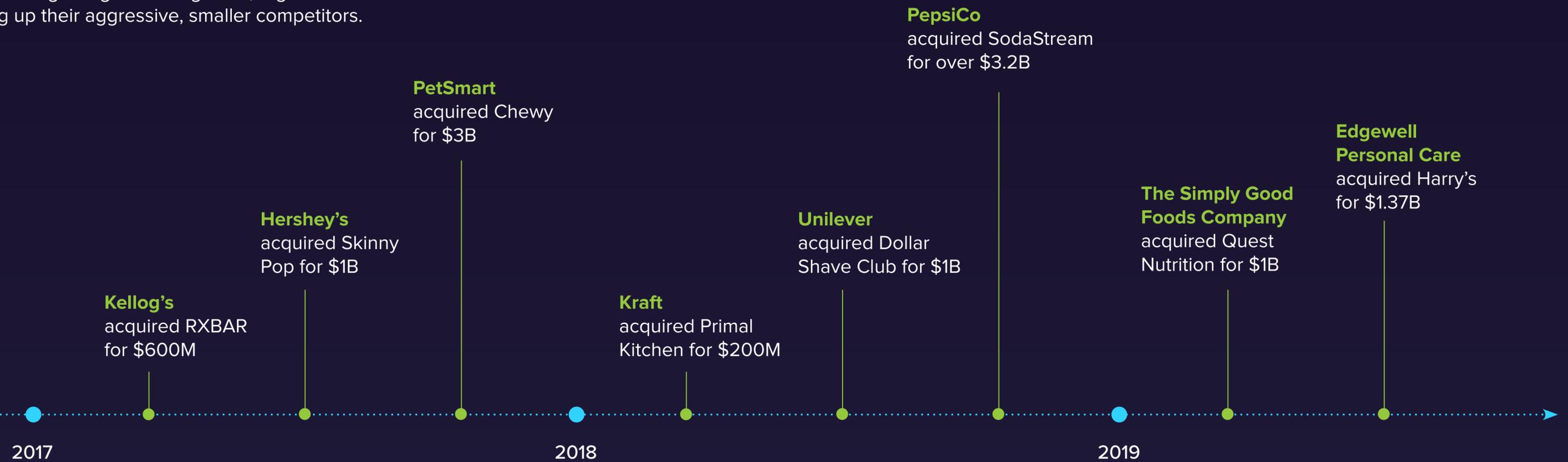
When faced with a dazzling array of upstarts, big players are more than willing to pluck the stars for themselves because if you can't beat them, make them join you. Even Halo Top, the recently crowned #1 pint of ice cream in America,⁹⁸ may choose to sell in a potential \$2B M&A deal.⁹⁹ Global M&A activity among the world's top 50 consumer goods companies jumped 45% to a 15-year high of 60 deals in 2017. The total value of those deals nearly tripled to \$145 billion last year from 2016. This M&A activity resulted in the top 50 CPG companies seeing their combined 2017 revenue jump 5.7%, the highest since 2011, compared with a meager 0.5% rate in 2016.¹⁰⁰

“ Big food’s inability to quickly innovate creates continued opportunity for smaller, more nimble brands to disrupt and innovate within the market, [and] while the landscape has certainly become crowded with these smaller brands, the truly innovative and differentiated brands will continue to excel and garner attention from strategics, propelling M&A activity.”¹⁰¹

Jon Sebasiani,
founder of Sonoma Brands

Major CPG Acquisitions from 2017 to Today

As their own organic growth stagnates, Big CPGs are buying up their aggressive, smaller competitors.



CPG giants investing

M&A is not the only option.

Even big CPG players are pouring money into startups. Mondelez created SnackFutures¹⁰², an investment hub that is operated as an independent unit within Mondelez. Collaboration with venture capitalists, entrepreneurs, scientists, accelerators and incubators to create “an unconventional ecosystem” is a key piece of the platform according to Timothy P. Cofer, EVP and chief growth officer of Mondelez.¹⁰³

Other major brands like Mars and Starbucks have launched their own funds to spur growth.

\$100M

Mars Pet Fund - 2018¹⁰⁴

Starbucks Fund - 2019¹⁰⁵

Mondelez targeting \$100M in
revenue growth by 2022 with
SnackFutures¹⁰⁶

Larger brands need to take a step back and consider the consumers they serve.

There's a reason Amazon rose to dominance—obsessive focus on the customer rather competitor. But, the way brands focus on and serve the customer may change from vertical to vertical. One size does not fit all. While the simplicity employed so successfully by digitally native vertical brands (DNVBs) such as Casper, Dollar Shave Club, Warby Parker, Away, or Allbirds does not result in triteness today, perhaps it will in a decade.

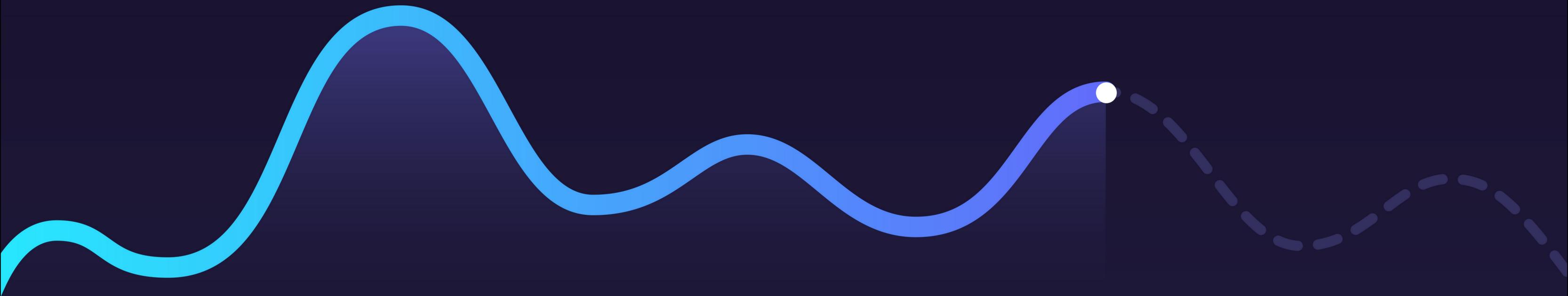
Perhaps consumers will demand a new approach to how brands create, market, and sell. But, today, DNVBs figured out how to properly distill the intersection between what their target audience wanted and their own initial vision, aggressively harnessing data-driven and socially alert decisions until they got it right.

“The old, established model, increasingly, is not working [...] the way we innovate and the way we address a rapidly evolving consumer needs to change.”¹⁰⁷

Timothy P. Cofer,
EVP and Chief Growth Officer, Mondelez

DIGITAL SHELF INSTITUTE

Founded by SALSIFY



Footnotes

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