The Growth of Microbrands: Opportunities for the Printing Industry

Presented by: Jodi Sawyer, FLEXcon
Agenda

• Introduction
• Microbrand – defined
• Market Size & Growth Rate
• Case Studies/Interviews
• Opportunities to Serve this Growing Market
• Questions
Overview

• Family owned business
• FLEXcon established in 1956
  o 1 million square feet of manufacturing space
  o 1000 employees
  o Over $300 million in revenue
• Manufacturing locations:
  o North America: Spencer, MA (Headquarters) and Columbus, NE
  o Europe: Glenrothes, Scotland
• Sales & Distribution Worldwide
• Other Entities Under FLEXcon Holdings:
  o FLEXcon Industrial
  o Arlon Graphics
  o Blueshift Materials
  o SMV Technologies
Global Reach

- Manufacturing
- Sales
- Distribution
One Application at a Time

- Custom manufacturing – building the “sandwich”
- Unique capabilities
- Standard & pre-finished products
- Short runs & prototyping
- Product solutions
- Quality
- R&D
Microbrand???

Makers?

BEER?

Small Business?

Digital to Consumer?

E-commerce?
Microbrand Defined

• A microbrand or direct-to-consumer brand (DTC) is a small-scale brand recognized only in a certain geographic area, or by consumers in a specific micro-market or niche market.

• **Common characteristics**
  o Online sales only or online with “showroom” physical presence
  o Heavily concentrated in consumer goods sector
  o Marketing via digital advertising, social media and events
  o Typically less than $10M in annual sales with no physical store presence. Increasingly, there are exceptions as DTC grows!
Microbrand Watches – Market Impact

- Microbrands experience prolific growth
- Force big brand changes
- Big brands begin offering direct sales from their websites – not recognizing that consumers would buy expensive products from their mobile devices.
Microbrands are brands that meet *MOST* of these criteria:

- Very few employees
- Exclusively online sales
- Only 2-3 models per year
- Small volumes
- Many processes outsourced
- Production outsourced
- Brand owner accessible to customers via website or social media

Source: nthwaches.com
Redefining Customer Experience

- Differentiated, frictionless, seamless customer experiences
- Personal service engrained in microbrand DNA
- Customer service as sales opportunity
- Customer service is emotional, not transactional
- Customer service is holistic view of relationship
- Long-lasting customer relationships
  - Sense of purpose/inspiration
  - Sense of belonging/connection

Source: mytotalretail.com
Retail E-Commerce Rapid Growth

**U.S. ECOMMERCE VS. TOTAL RETAIL SALES**

- **2016**
  - U.S. E-commerce: $3,375 B
  - Total Retail Sales: $3,390 B

- **2017**
  - U.S. E-commerce: $3,496 B
  - Total Retail Sales: $4,533 B

- **2019**
  - U.S. E-commerce: $3,628 B
  - Total Retail Sales: $5,170 B

Source: Internet Retailer, U.S. Commerce Department
Market Growth – Consumer Goods

- Top 25 still have 45% of category sales but only 3% growth
- Private label has 23% of category growth
- Next 26-100 CPG has 25% of category growth
- 101-20,000 CPG has 49% category growth

NIELSON – June 2016
Market Growth - Food & Beverage

Small is beautiful
United States, food and beverage manufacturers
Revenue, 2011-15 annual average % increase

- Biggest 25 companies generated 45% of sales yet drove only 3% of the total growth between 2011 and 2015.
- Long tail of 20,000 companies below the top 100 produced half of all growth.

Source: Nielsen
*Retailers’ own brand
Leading Microbrands – Craft Beers

2018 U.S. Beer Sales

<table>
<thead>
<tr>
<th></th>
<th>Domestic</th>
<th>Imported</th>
<th>Craft</th>
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<tbody>
<tr>
<td>Growth (%)</td>
<td>-4.2</td>
<td>7.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Sales ($B)</td>
<td>$13</td>
<td>$7</td>
<td>$4</td>
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</tbody>
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Source: IRI
Leading Microbrands - Craft Beers

Top Craft Beers

- D.G. Yuengling & Sons (PA)
- Boston Beer
- Sierra Nevada Brewing Co. (CA)
- New Belgium (CO & CA)
- Duvel Moortgat (CA, MO)
- CANarchy – Dallas, TX!
Leading Microbrands
Leading Microbrands - Sweet Water

Type               Private company
Industry           Alcoholic beverage
Founded            1997
Founder            Freddy Bensch
                   Kevin McNerney (brew master)
                   Matt Patterson
Headquarters        Atlanta, Georgia, U.S.
Area served         United States
Products            Beer
Website             www.sweetwater.com

Source: www.owler.com
Leading Microbrands - Mattresses

- “Other Producers (9.1%)” consists of hundreds of smaller manufacturers
- Most lack massive advertising budgets
- Some are local or regional only
Leading Microbrands

Casper

Type: Private company
Industry: Mattresses
Founded: April 22, 2015; 5 years ago
Founder: Philip Krim, T. Luke Sherwin, Jeff Chapin, Gabe Flateman, John Anthony Gillis
Headquarters: New York, New York,
Area served: Austria, Canada, Germany, Switzerland, United Kingdom, United States
Products: Mattresses, pillows, sheets, dog mattresses
Revenue: $400 million (2018)
Website: www.casper.com

Source: https://craft.co/casper
Leading Microbrands

Glossier.
(pronounced gloss-ee-ay)

Type: Private
Industry: Cosmetics
Founded: 2014
Founder: Emily Weiss
Products: Skin & beauty
Revenue: $100 million+
Website: www.glossier.com

Source: uk.fashionnetwork.com
Leading Microbrands

**Type** Private

**Industry** Retail

**Founded** 2010; 9 years ago in Philadelphia, PA, U.S.

**Founder** Jeffrey Raider
Andrew Hunt
Neil Blumenthal
David Gilboa

**Headquarters** New York, New York, U.S.

**Key people** Neil Blumenthal (Co-CEO)
David Gilboa (Co-CEO)

**Website** www.warbyparker.com

Source: INC.
Microbrand Case Studies
Insights

• Inspiration - Grandmother’s recipe
• Gap in market for Gluten Free (GF), grain free, vegan granola, Fair trade
• Packaging size
  o 50 mg to 150 mg doubled revenue
• Sustainable in design, reuse
  o Package using soy-based ink on Kraft paper
  o Wrap Recycling Action Program

Type: Private
Industry: CPG Snack Food
Founded: 2017
Founder: HamdAllah Olona
Products: Coconut Granola
Reach: New England
Revenue: 64% increase yr./yr.
Website: www.goodiekrunch.com
Unmet Needs

- Ideas for production promotion
- Compostable packaging materials non-migration (rice can leach into product)
- FDA approved packager – who are they and weigh options
- Sustainability in design of package
- Shelf life /date labeling
- New product promotion
Insights

- Strength in local - community feel, sense of belonging, seasonal, regular customer feedback matters
- *Fastest growing demographic for craft beer is women in 30s and 40s.*
- Labeling
  - Locally sourced ingredients - hops, coffee, sage
  - Freshness dating

**Type**  Private
**Industry**  CPG Beverage
**Founded**  2017
**Founders**  Josh Letourneau
              Chip Samson
**Products**  Craft Beer
**Reach**  Rhode Island, MA
**Revenue**  Positive %
**Website**  [www.shaidzonbeer.com](http://www.shaidzonbeer.com)
Unmet Needs

• Gap in knowledge on what’s available - need a starting point of options
• Navigating signage needs, options, permits, etc.
• Date labeling
Insights

- Brand born from need to label children’s items for daycare
- Compliance state laws for daycares
- Safety labeling for allergies, milk allergies on rise, breast milk
- 50% of brand is self-adhesive labels, increasing use
- Focused demographic

Type
Private

Industry
Children’s online retailer

Founded
2004

Founder
Brenda Feldman

Headquarters
Austin, TX

Areas Served (geographic)
US & CN

Products
Organizational tools for parents, labels

Revenue
Double digit yr./yr.

Website
www.inchbug.com
Unmet Needs

• Capturing mindshare from large manufacturers and distributors if the application need does not “check off a box” on a product list
• Quality of technical expertise
• Timeliness of response – emails and phone calls don’t work.
• Large tradeshows work because they are all in one place and motivated to help!
• Consultative, true partnership approach
  Ex. Stahl's, experience
Common Themes:
How can our industry better serve needs?

• Start by listening – what are their unmet needs?
• Educate – how can print amplify their digital presence?
• Recommend – align with their brand purpose and focus
• Simplify - product and process
• Be transparent
• Share resources
• Add value - see their potential and help them reach it!
• Invest in true partner relationship - microbrand ≠ transactional - these are fast growing brands.
Microbrand/DTC Market Opportunities

- Package design, branding, sourcing/compliance
- FDA Approvals
- Freshness/date labeling
- Display options – from event to shelf space, flexible, portable, functional
- Signage to build brand awareness
- Sustainable options
- New product line promotion
CHANGING YOUR NARRATIVE

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Questions?

Thank you!