THE MONTH END

EPISODE 21

The YES Bar

SHOW NOTES

SPEAKER BIO

Jeremy Cohen is the co-founder and CEO of the YES Bar, a premium, gourmet plant-based, gluten-free, and paleo snack bar made with the finest quality ingredients. Jeremy is a co-founder of the YES Bar, which was founded in 2012. He wears lots of hats around the company but focuses on operations and the Amazon program.

TAKEAWAYS

On How The YES Bar Started:

The YES Bar started out of love and Abigail's kitchen. Her children struggled with food allergies and sensitivities, and she basically created this treat for her kids in a moment of turning a negative into a positive and giving them something that they can enjoy, and feel like they weren't super restricted on their diet. And that's where the YES Bar comes from. That's the name, like saying yes. And it's kind of an affirmation, it's kind of finding that moment of positivity. And a lot of people thought we were nuts to make this bar and we just really believed that this is a special product and that people really deserve something that's really special that comes from this place. We've worked super, super hard over the last number of years just trying to make this and grow it and get it to as many people as possible.

TAKEAWAYS (Cont'd)

On Segmenting Duties Between Three Co-founders:

Abigail is the creative heart of the company; her creative juices are always flowing. I'm more on the operations side, just working with our co-packer or warehouse on shipping and fulfillment, logistics, and the Amazon program.

Brennan, the CEO, is a sales ninja and business development. He's someone who's just helping us always just open up these partnerships. I think those were the strengths of the team. I think it's important that you have a good balance of talents and ability to work together. With us, you could make a pretty complete person out of the three of us, so it works really well as we're building the company.

On How The YES Bar Has Grown Their Business:

Listening to other brands, there are people that are incredibly dialed in on that grand vision of raising money and building these teams, and we've done things in a completely different way. I think for us, our motto has always been "when other people zig, we try to zag." That also comes from the fact that Brennan and I met working at a boutique early stage food distributor. We had a front row seat to some of the challenges of UNFI and KeHE, and the cost of doing business with these retailers and distributors.

When we took over, we've always had a bootstrapped approach, doing direct wholesale across the country. We worked with Earth Bar, Equinox, and yoga studios. We tried to go direct to Netflix headquarters and tried to cut out the middleman because our product was the focus. It was all about quality. We still haven't raised any money. So for us six, seven years into this, we've done things a lot differently. There are moments where I think it would be nice to have a little bit more support, and we're trying to build that out, and bring in those layers, but it's also allowed us to build a hybrid distribution model, where we control the distribution.

TAKEAWAYS (Cont'd)

On Sales Channels:

We were very lucky for years. We built our Amazon business, which is its own focus of ours. That's our DTC channel that we excel in. Additionally, we were lucky to build some partnerships with Imperfect Foods, Thrive Market, Misfits Markets; great grocery-direct programs. We started with Good Eggs a long time ago too. They believed in us before anybody did when we were a small, local brand. We reached consumers on the digital grocery shelf. It allowed us to stand out a little bit more. Building that sales velocity, opening up the right partnerships, like going digital, going direct, it helped us establish our brand in a way that allowed us to be focused on a high cost of goods and ingredients product profile. It helped us scale in a way that allowed us to not need to raise money and not be as capital-intensive. We were going directly to the people.

On KPIs and Metrics :

I'm gonna sound like a financial dinosaur here, but we're big believers in EBITDA. I think people 20, 30 years ago, when they were writing in paper spreadsheets would have cared about EBITDA. And now, it's growth, or its stores, or whatever it is... We believe in profit. For us, we're trying to build in a profitable way. We've been very fortunate to have an advisor come on board, Michael Namie, who's the former CEO of Tate's Cookies. That's how they built their business, and they never raised money. Now they own their manufacturing and co-packing, which is a different kind of calculation.

We come from that school of thought of "Hey, can we grow profitably? Can we reinvest in our brand? Can we understand - really understand our COGS, our profit margins in these channels? Where can we get to in a good EBITDA number? Can we keep kind of building on that in a sustainable way?" It's not glamorous, and it definitely takes more time to do things that way. But we're a big believer in that.

TAKEAWAYS (Cont'd)

On the Supply Chain :

I don't think the storm clouds are going to clear. I think when it was early in COVID, we were like, "hey, let's just get through the next quarter or six months." I think what it demands of entrepreneurs and business owners is to have an understanding that this is the new normal. There's rolling challenges with supply chain. It's just been one thing after another. We're very lucky that we have a good relationship with our co-packer. We've been able to grow and scale with them during this time, which certainly helps a lot if you can grow those volumes. That helps blunt the rising costs. We've been working on contract pricing on ingredients. I think it's a combination of all those things. You've got to stay on your toes. I don't see it calming down anytime soon. I am hopeful that we can continue to grow. Our margins are starting to get more challenging right now, but we're probably one of the only brands that hasn't raised prices yet, during COVID. We could, and I'm trying to hold off for as long as possible. I just want to try to continue to grow and see if that's the ability that we have as a company to continue to deliver that value. It's growth, it's planning. Hopefully you can just own that relationship with your co-packer.

On Managing Cash:

I'm going to be super candid, for our inventory purchasing we have to put down a deposit for 50% of the production about six weeks before the production run. We're paying up front, so we have upfront cash that's going out, in addition to the production stuff that's happening with the co-packer. Our cash conversion cycle starts six weeks before we run the bars, and there could be probably another 45 days. For us there is really nothing that we can do, given that that system. We just have to keep selling and managing it to the best of our ability. We take all the data we have from a sales perspective and and tailor our POs the right way. In the beginning, since we didn't raise money, we were trying to figure out how to get working capital to handle those those timelines. We're having to plan in a way that absorbs that basically.

TAKEAWAYS (Cont'd)

On Looking at Monthly Financials:

I'm looking at that profit number and trying to drill down to what's driving that. I think your [Accountfully's] team has done incredibly well for us. We had invested a lot of time to try to get our books to a better place before we came to you guys, and I realized that there was a lot more that we could be doing. Now we're at the point that we are, specifically class and trade, because we have unique classes of trade. Your teams came in and helped us look at the different pillars of the business and say "Where are the COGS? What's happening in each of those classes of business? How do we shift the resources to one or the other? Are our margins looking more challenged with Amazon or with wholesale?" Those are the things that I'm looking at every month now, and your team has been great to try to help us understand where those numbers are coming from.

CPG BUSINESS DO'S AND DON'TS

CPG Business Do:

I think it's super important as an entrepreneur and an owner of a company to try to do every process that you are going to hire for or invest in, try to do that on your own for a little bit. We may have done that to our detriment for too long in some cases, but I also think it's really valuable. I've managed 3PLs, I've dipped my toes in Amazon advertising, I've been in the co-manufacturing kitchen. If you can own those pieces of the business, even in the beginning, when you're really lean and you're trying to learn and grow, you're going to be able to identify people that you can either hire or bring in to help in a much better way. You're going to understand those processes better. Knowing that we've been involved in almost every aspect of our business, I know I'm not an expert at any one of those things. I also feel much more equipped to look at those pieces of the business and bring someone in and know, "this is the strategy". I've been in that position, and I've done some of that stuff. So try to learn and try to do as much as you can, especially in the beginning, when you have an opportunity to do that before you can bring in more resources.

CPG BUSINESS DO'S AND DON'TS (Cont'd)

CPG Business Don't:

We've been unconventional when it comes to our growth. It was hard for us to get capital. Banks wouldn't lend to us, because we were too small. We tried to find alternative sources of financing, and we worked with an amazing team over at Circle Up doing some stuff on the on the credit financing side. They were the first people to do it for us, but we also made some mistakes working with factoring companies, which I want to caution people against. They're good companies, they're good people out there. If it works for you, great. However, that fee structure - that 2%, or 3%, when you amortize it as an APR over an entire year, it's 24%., it's 28%. We needed capital at certain points, so we didn't have a choice, but I would just caution folks to be mindful when it comes to the inventory financing in the factoring and that sort of stuff, because it can get to be expensive.

NOTABLE SHOW QUOTES

Jeremy on being nuts:
"Look, you got to be a little nuts to start a food company. And you have to have a real passion and desire to be of service and try to take care of people, whatever that vision is."

Brad on the three partners:
"Yeah, sounds like you guys are very complementary."

Jeremy on doing things differently:
"Our motto has always been when other people zig we try to zag."

Jeremy on what the YES Bar focuses on:
"All of our focus is on making the best product and trying to sell that product."

Jeremy on focusing on the old school metric he looks at:
"I'm gonna sound like a financial dinosaur here, but like, we're big believers in EBITDA."

Jeremy on focusing on profit:
"We believe in profit. Like for us, we're trying to build in a profitable way."

Brad on EBITA:
"For the listeners, EBITDA is Earnings Before Interest, Taxes, Depreciation, Amortization."

Brad on co-packers:
"The co-packer relationships is so key, especially during these times."

Jeremy on finding good partners to manufacture with:
"Can you find someone who's going to be a partner for you? It's not always just about price. And it's not even just about the supply chain. It's about can you get into that production environment? It's always going to be challenging."

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