



Episode 035: Ben Ponder – CPG 101

BEN

Welcome to The Barcode Podcast. My name is Ben Ponder. I'm your host. And today, I'm your guest too. So, welcome to both of us. I'm really glad that you're here. And one of the things that I get a lot of questions about from startup founders and other people who are joining startup teams in the CPG space is, "How can we get up and running faster?" And I wanted to devote an episode here, to what I refer to as, CPG 101. And the reason for that is, I mean, there's actually a few reasons for that. But one of the things that I've experienced personally, is that sometimes people sit in a desk or a seat for years and they don't really understand the industry that they're in. And that's a shame.

But then, you have other people who have been working in other industries and they're new to CPG or food, or beverage or whatever subcategory you're in. And those folks are interested in, "How do I get up to speed?" And that sort of thing. So, I want to share a little bit of my own personal story and background around that, as an entree into how to think about getting up to speed faster than other people.

So, we're going to talk about a couple of, I guess, life hacks that I've discovered in my own experience in working with others. So, that's the objective today. So, thanks for joining us. And I'm really glad you're here. So, for obviously, one of the things that people, what I found is, that when people are either starting a new consumer brand or joining an early stage startup team, many of the people who are joining that team or starting the brand didn't come from, maybe a traditional CPG background. And so, maybe they worked in tech or they worked in real estate or any other thing, right? And so, then they're coming in. And it can be really disorienting when you enter a new industry. And I've experienced that, a number of times in my life. And so, I've had this really circuitous career path, where I've had, I guess, a good fortune of working in a wide range of different industries.

And one thing that's really interesting about working in a range of different industries, from healthcare, to technology, to education, to government, to energy and some other things like that is, every industry that I've ever been a part of, thinks it's industry is the most jargon laden complex industry out there, right? We've got all these acronyms and this sort of thing. And I just want to, I guess, maybe assure everybody that, if we all think that's the case, then it can't be the case for everyone equally. And so, let's just accept that every new industry or every new business that you enter into, is going to have its own set of jargon.

And so, one of the hacks that we'll talk about in some detail here today, is that, it's actually really helpful to understand the jargon faster and to be really focused about that. And so, the way that I think about learning an industry, learning a new industry in particular, is that learning a new industry is like learning a new language. And learning your seventh language is easier than learning your second language, because by the time you're learning your seventh language, you've learned how to learn languages, right? So, you have a system in place. And you're actually prepared and you know, "Okay, I need to understand how this type of phrase structure works or how the endings go." And you can get up to speed a lot faster. So, if you've ever met somebody who's super multilingual, they can just pick up other languages and the nuances of those languages faster than somebody who's monolingual. Right?

So, the same thing is a little bit true when it comes to industries. Because, you could be in only one industry, so you're, in an industry sense, you're monolingual. And then, you're there for 20 or 30 years. And then, it would be really unsettling to find yourself in a totally different industry. And all of a sudden people are throwing acronyms out at you and you're like, "I have no idea what you're talking about." And so, it feels as if they're speaking a foreign language that you have no idea. So, it's not even like a language that's like, "Oh, it's Spanish or French. And I can maybe figure out that [foreign language 00:04:35] is similar to lunch." It's more of a Chinese or some other really different language that you just... It's like seeing, if you're a kid and you saw a calculus problem on paper, you wouldn't even know, what to do with any of it. Right? It's just completely disorienting. And I find that's the case for a lot of people.

So, what I want to do is to equip you. That's what we try to do here at The Barcode Podcast, is to equip emerging consumer brands. And to equip you to really have a strategy for how you can get up to speed in this, what is probably for many of you, a new industry, a lot faster than other people. So, for me again, imagine, if you've worked in this industry or any other industry and you've been there for 10 years, right? But you're just occupying space, you're breathing air, you're sitting at a desk, but you're not in a focused, strategic way learning. Well, it's really possible, and I actually, genuinely believe this. I think with focused effort, you could know more about the consumer packaged goods industry in six months than a person who'd been apathetically, just clicking buttons or whatever else in the same job for 10 years. Right? And perhaps even longer than that. But the point is, it's all about being really focused and having a system. And so, that's what we're going to talk about in some detail today.

So, since there isn't this one to one correlation between how long you've been in a job and how well you understand it, we're going to exploit that. And really dig in and say, "How do we figure that out?" And in my experience, these two hacks that are really crucial to getting up to speed in a new industry are, so there's two of them. And I'm going to say both of them. And then, we'll dig into a little bit what those two things are.

So, the first one is, you have to understand the jargon. So, jargon is a really important thing. And again, like I mentioned earlier, if you're having a conversation with somebody, imagine I'm having a conversation. I don't speak Chinese, Mandarin Chinese or whatever, and that person is speaking to me. And they could speak to me, they could speak to me softly, loudly, whatever.

And I'm not actually gaining any... The longer we talk, I'm not making any progress, because I don't even understand a single syllable of what they're saying. Right? In this scenario. And so, in the same way, if you don't know what the super common vernacular jargon is in any industry and in this case, particularly, in consumer packaged goods, then every conversation you have, you're going to be disoriented. And it's not going to make sense. You're not going to be able to connect the dots.

So, one thing that I find that's very, very helpful early on in a focused way, whether you're joining a food or beverage or other CPG startup team, or whether you are coming from somewhere else and you're wanting to start your own brand or company, is to be a student. To be really curious and to really dig in and understand some of that core jargon. So that, again, if you could just understand like let's say, you had a vocabulary of the 100 most common words in a foreign language that you were learning. Well, you're going to start hearing that and then you'll start to be like, "Okay, this word keeps showing up. I think that's a noun." And then, it makes a little bit more sense. And over time, you're going to begin, your brain is actually going to begin to connect the dots better. So, that's really what we're going to talk about when it comes to understanding the jargon of the industry.

And then, the second thing that I found, is the other missing piece that gets people up to speed a lot faster, is understanding the economic model of the industry. And this sounds a little bit more complex, but it's equally important. And that is, if you don't understand who pays whom for what, then in my opinion, you don't really understand how an industry works.

And let's take something that's not CPG, just to illustrate this. If you are in healthcare, right? So, healthcare is famously notoriously convoluted, right? So, you could go to the doctor, you could go get a test or something like that, have a procedure. And if you have insurance or you have Medicaid or Medicare or some other third party payer, and they're negotiating their own deal with the physician's office or the hospital or whatever it is. And you may or may not see that. And then, so you've got the insurance company is involved in all these other things. And you don't actually know who's getting paid what for what. And the whole thing can be really disorienting, for even a very smart, savvy patient. And so, the same thing is true in really almost any industry.

And you could think, again, like in education. You think about your local school district, well, who paid for the desks? Right? And is that, do you just go to the teacher and say, "Hey teacher, would you like nicer desks?" Imagine I had a company and we made cool school desks. And so, imagine, if I walked up to some classroom teacher and said, "Hey, I'd like to sell you desks." Well, that would betray that I don't really understand how it works. Because the teacher, though he or she may be perfectly the world's greatest teacher, that's really not their job. Somebody else in the school or the district handles that. So, I've wasted my time and the teacher's time, because I went to them with the wrong thing. Right? They don't have the authority, even if they're senior or whatever, to make desk purchasing decisions.

So, what we want to do, is to understand in the CPG world a little bit more, and this is an evolving and emerging understanding because anything that you do a deep dive into, you start uncovering, uncovering, and then you realize, "Wow, I didn't know as much as I thought I did back when I was younger or less experienced." And so, it's a bottomless pit. But you can very quickly, I think, outpace and outstrip the knowledge of maybe some other people, in fact who've been in the industry longer than you have. So, that's really the goal. And I think, this is really strategic, because there's a lot of really talented people out there. And a lot of those people have worked in a variety of industries. And maybe, you're in technology. Maybe, you've worked in some other business capacity or a nonprofit or whatever the thing is. And you're talented, smart

person. And either you want to or you have an opportunity to be a part of a team that's building a really awesome consumer brand. And that can be super intimidating.

So, hopefully, by having a framework and a structure, you can have the confidence, that you can actually contribute much more quickly to the growth and just overall trajectory of the company or brand that you're starting or joining. Then you would have, if you just were lost, and then you feel bad because you're, "I feel like a freeloader." Or, "I'm just a drag on the rest of the team because all these conversations we're having, I don't know." So, that's really what I want to focus on. And we're not going to go super deep in these things. But because it's 101, we are going to just talk at a pretty high level about some of these details.

So, let's start with the jargon part for a second. Now, we're going to put up on the barcodestartup.com website. You will have [access to a handout](#) that I've created around what I call alphabet soup, which I think is probably, pretty fitting for food and beverage. But it's really, a glossary of key terms for early stage consumer brands. And this is all spitball stuff from my own experience. Again, because I came into consumer packaged goods from different industries and had to do this myself at some point, not that many years ago in the grand scheme of things.

And so, how do you get up to speed faster? And part of that is, I've broken that [handout](#), again, that you can download yourself and take a look at it and really work through on your own time. And, again, you can Google or DuckDuckGo, however you search things on the internet, you can dig in and really understand a lot of the, maybe more context around these things. But acronyms, and then other key terms or other important terms that, you're going to hear a lot. Because the more of these things that you understand, the more of the vocabulary that you have, the faster your brain, your synapses are going to connect and go, "Oh yeah, right. So, because I understood every word in that sentence, now I can actually make sense of what we're trying to accomplish here."

So, obviously one, and I'm just going to hit, mainly today I'm going to talk about some of the acronyms. Because there are acronyms that are industry specific. There're acronyms that are general. They're acronyms that are business oriented in general. So like, take an EBITDA, earnings before income, taxes, depreciation and amortization, right? That's a thing you should know, if you're in any kind of business or arguably any organization, because it's just fundamental to, how much money are you making out of this endeavor? Right? But certainly, if you're going to be in a consumer packaged goods business, a CPG business, then yeah, you need to know that. But then again, hopefully, if you have an interest in business or a background in business, you're going to know some general stuff like that.

But if you don't, let's say you're fresh out of school or you went to art school. And you're really good at certain aesthetic things, but you've just never gone down the business path. You don't have to become like a finance major in order to... It's not like you have to betray your background and your strengths and that sort of thing. But it probably, is a savvy move to at least be able to understand what some of these core, even business terms are talking about.

But specifically today, I want to talk about a handful of terms and just go over them pretty briefly, that are industry specific to particularly, the food and beverage, maybe the natural products space within the broader consumer packaged goods landscape. And let me touch on that first.

Consumer packaged goods, CPG, which again, I hear lots of people in the industry even say that wrong, which is pretty fascinating to me. But is, in the US, that's the term that we use for, you

have two basic categories of goods, right? You have durable goods, like refrigerators and air conditioners, cars. Things that are intended to last more than three years. They were manufactured. Whether they successfully meet that threshold or not, it's a different story, but they're meant to last for longer.

Whereas a consumer packaged good is something that was made that typically, is not supposed to last forever. Right? Maybe you collect it or something, but if it's a perishable or even a nonperishable food product, they shouldn't last forever. Right? So, something that's going to be around for a year or two. Even clothing and other things like that, can fall into the consumer packaged goods. They would call it soft lines and things like that. So, there's all these different categories. You can imagine, if it's sold at Walmart or more or less, if it's sold at Amazon, although Amazon, so comprehensive that it's hard to even say that strictly. If you can imagine it's it being sold at a Walmart or Target, it's probably a consumer package good.

So, in Europe, in a lot of other parts around the world, they don't call it consumer packaged goods. This is just an FYI thing, for your information, because we're not going to do any acronyms here. So, in other parts of the world, they sometimes will refer to them as fast moving consumer goods, FMCG. And just so you know, those terms are relatively interchangeable. And, again, it indicates fast moving like, "Okay, we're going to sell more of these. You're not going to buy one of these and it lasts you for 10 years or 20 years. So, that's the industry obviously, that we're talking about.

But then, you have all these other, I think pretty important things that people will just throw out. And that's just part of any industry. So, you'd be like, "Hey, did you get the FOB pricing to our 3PL? And are we going to do an OI or an MCB on that? Right? So, you can imagine that thing happened, that conversation happens in maybe, those of you who know what I'm talking about are like, "That didn't really make tons of sense." Which is fair. But just, you can imagine how disorienting a conversation like that could be, if you're like, "I don't know what an OI or an MCB, or a BOGO is.? Right?

So, and BOGO is a great easy example, because it's, buy one get one, right? Which everybody, every consumer, every shopper knows, "Oh, it's buy one get one free kind of thing." But in the industry, they're not going to say, "Buy one, get one." Usually they'll say, "Well, are you doing a BOGO on that?" And so, then you know, "Okay, that's what we're talking about."

Another thing is, and I think this is important, it's okay, particularly if you're new to the industry or any industry, to lean in to your ignorance. That's actually a really empowered move. And in my opinion, and enlightened move to stop conversations and say, "Yeah I'm sorry. I'm new." And I think you can probably, pull this off for the first year or two pretty safely. You say, "Yeah, I'm new to the industry. So, what is that? What does that term mean again?" Right? It's okay. So, and then you'll actually, most people won't get annoyed with you. They'll be like, "Oh, that's fair." Humorously, sometimes there'll be like, "I don't actually, don't know what it stands for." Because they've just been in the soup so long, that they just vaguely know what it is, but don't actually know what it is. And that actually happens a ton.

So, even if you were to quiz some of your colleagues in a startup, some of these things, they might be like, "I don't know what 3PL, like three, like third something." So, anyways, third party logistics provider, usually an outsource company that specializes in fulfillment, shipping type things. So, there's a lot of these things.

When you start thinking about, and some of these, the acronyms will be around what your function is, typically inside of a business. So, let's say, you are on the quality operations side of the house. Well, in that case, you may hear somebody say, "Well, is that factory BRC or SQF?" And again, that might just be alphabet soup to you. You have no idea what that means. Well, BRC is British Retail Consortium. And SQF is safe quality food, which is by the Safe Quality Food Institute. Which are two of the leading food safety auditing bodies that operate around the world. Now, again, that's not a super complex thing. You're like, "Okay, now that you explained that, I know." But if you're in the course of regular conversation, people throw those out as acronyms. That's going to be disorienting to you.

If you're in sales, you're going to hear a lot of things. There's a lot of sales acronyms. Again, salespeople, stereotypically fast talker, so there's going to be a lot of shortening of things, right? So, you got to, "Hey, do you guys need an EDLP on that?" Which is an everyday low price. You can think of that, like the Walmart always low prices, always type thing. If you are, depending on, like if you're in the warehouse, you're going to hear, "Hey, what's the..." And you actually, won't even hear some of these things. You'll see them written out sometimes and not even know, like TI/Hi, T-I/-H-I. And that is, I think that the TI probably originated from tiers, T-I-E-R-S. And so, TI is how many cases on a pallet, how many cases fit in a layer. And HI, is how many layers tall it is. Right?

And so, you're going to have, when you're making a product, you fill it out on a pallet, again, is it a regular pallet or is it a CHEP pallet? And you're like, "What's a CHEP pallet?" We're a PICO. There's different types of programs. And like even CHEP, people just know, "Oh, CHEP, those are the blue pallets there." It's a pallets pooling company. The companies pay a service, it's like a subscription service for pallets, but you can tell the blue pallets. And there's a couple of other ones. But, so even that is like, I didn't know. It's like Commonwealth Handling Equipment Pool. Right? "Oh, okay. That's interesting. That's the backstory. That's why it's called CHEP." But most people just never even asked that. They were like, "Oh, the blue pallets are CHEP pallets." And so, you sometimes can dig into that stuff.

If you're in operations, you may hear, obviously, you're going to need to hear a lot about HACCP plans, which again, can be really disorienting. Even if you're a small, a very small startup, it's important for you to have a HACCP plan. And and even sometimes, I think, I remember the first time I heard that, the nature of that acronym, you can't even figure out what the acronym, "How would I spell that in order to Google it?" And so like, it's spelled H-A-C-C-P, and it's Hazard Analysis and Critical Control Points plan.

And then, sometimes you'll hear a manufacturer refer to, "Hey, what are your CCPs like?" What are your Critical Control Points? Which are, what are the areas in your process where you are creating barriers to any kind of risk or hazard, if it's a microbiological or some other contaminant in the product. Are you cooking it? Are you freezing it? Are you doing something else to the thing to make it cleaner, safer, right? So, there's so many of these things that again, we could go on and on. And I'm not going to belabor the point.

Again, I'd encourage people to, you can [download the handout](#) and do your own searching. And you may have your own acronyms that you want to add to the list. Yeah. So then, hopefully, in a very focused way, and I don't even have this numbered, so maybe there's a hundred or 150 something here terms. But then, you're going to know, you probably know more than a lot of people who've been in the space for a long time. And you'll know that, UPC stands for Universal Product Code. And SSOP is, Sanitation Standard Operating Procedures, which is different than SOPs, which are Standard Operating Procedures. They're related but specific. Right? And so,

"Hey, is that OOS?" Or you see it in an email, what is OOS? It's, out of stock. So, the more you, like, "Okay. Now, I know what that stands for."

And then a retailer, you're new and they say, "Hey, can you give us both delivered and FOB pricing." And you're, "FOB, is that like a key fob? I don't even know what it is." And so, then you're, "No, that's actually an old maritime shipping term, Free On Board." Sometimes you'll hear it Freight On Board. But the historical version is, Free On Board, which means, the cost at the manufacturer's dock to be picked up, and versus where delivery pricing is, sent all the way to the end point, if it's the retailer, distributor and things like that. So again, I could belabor the point. We could go down every single one of these. And I could tell you some backstory on every single term.

But hopefully, you get the picture because ultimately, whether you are successful or not at this exercise, is going to require your own commitment and investment of time and curiosity to really dig in and figure out, "Oh, okay." You start to put the pieces together and that's a really powerful moment for you as either an entrepreneur or a key startup team member.

Okay. So, that's the jargon or alphabet soup part of it. And then, the second part that I'll probably spend a little bit less time on. But that honestly, is probably more complex in some respects is, the economic model, that understanding, who pays whom for what. And again, like I mentioned before with my healthcare or education examples, this is really, really, really important, regardless of where you are in an organization, because this is a very empowering thing. It will allow you to not waste your time running down dead ends. And also, to work smarter, not harder. And hopefully, to save you and your colleagues or team, months or even years of, really diligent and well-meaning effort that maybe didn't get you very far.

And so, I think it's really important to understand as early as possible, how does this industry work? And again, there's a lot of nuances. There's a lot of different, are you mainly in e-commerce online business, that's selling personal care products? Are you a food brand that is mainly selling in grocery stores with a little bit of online or something like that? Obviously, there's going to be some differences between those things. But there's some basic commonalities across this. And I think, it's really important to just be very logical and sequential about it, so that you're like, "Okay, I get it. I get the big picture. I know how the pieces fit together. That makes sense."

So, I'm going to take this from the perspective of a food brand, just so, because it's easier to really zero in on that for the purposes of our discussion today. And again, you can translate this, it's not a huge leap to translate this to other types of products. But so, if I'm trying to understand from concept to shelf. I'm a consumer. I shop at a grocery store. I walk to this. I have a cart and I see on the shelf, I see a product. And some products are \$2.99. Some products are \$6.99. Some products are tiny little four ounce containers. Some products are giant, 64 ounce containers. All of that stuff, some things feel cheap, some things feel expensive. And you're like, "Oh, Why is that thing more expensive than the other?" Et cetera.

And again, obviously, if you're, most savvy adults understand that there's basic reasons why pricing is what it is. But once you start to really understand, who's going to take a cut along the way, then all of a sudden some things, some pieces start to fit together in your mental model of how the business, how the industry really operates.

So, you can imagine, I have a food product. In the beginning, that is typically, it's made up of components or ingredients in food. And certainly, there are other components to the packaging

and stuff like that. But, so you can imagine I'm making a food product. It could be anything. It could be a cookie or a soup, or a bar or pick your favorite or your own food product. And usually, the pieces of that product are going to start with a farmer or rancher. Maybe, they're domestic. Maybe, they're somewhere around the globe, who knows? But that person probably, planted a seed or raised an animal or whatever the case may be, from the beginning until they sold whatever the produce of that operation was to somebody else, right? So, then they invested their money. And then, they're trying to make their own money back, profit, et cetera. So, then that farmer or rancher is typically going to sell their piece of the larger supply chain to a supplier or a processor of some kind. Right?

So, let's say that I'm buying cinnamon. And I'm getting it from India or Sri Lanka or something like that. Right? There was a cinnamon farmer, someone who is harvesting the cinnamon, which is a bark. And then, they're processing it to some point. And then, they're probably selling it in bulk to some processors. Somebody who's going to take their, what is relatively dirty because it's just been out in a field or a forest, and they're going to clean it up, package it up a little bit nicer. Maybe it's in a giant bag or maybe it's a smaller container, I don't know.

And then, that typically, assuming it's not going to be used right there, will often go into the hands of an importer or broker. That is, maybe they're taking your Sri Lankan cinnamon and they're importing it to the US, right? So, they're managing. They're getting that into maybe a shipping container, a 20 or 40 foot shipping container. It's going on a slow boat across the Pacific Ocean. And it's landing in the Port of Long Beach or Portland, or someplace on the West Coast may be. Maybe it comes around through the Panama Canal to Houston.

And again, I'm being tedious here, but it's actually pretty important to think through, what actually went into that cinnamon, getting to where it needed to go. And then, it lands domestically. It gets processed and inspected and all that kind of stuff. And then, maybe it goes to a secondary processor who, again, maybe your company buys a ground cinnamon, right? And maybe it wasn't ground at the original location, but it's ground someplace, let's say, it's ground somewhere in California. So, then that cinnamon, that raw cinnamon ends up in a different processor. They grind it. Maybe they repackage it, et cetera. Each of these people, they're trying to make a living. And they're trying to make their money.

So, then that cinnamon, let's say it's some ground cinnamon, ends up in the hands of, it's shipped to your co-packer or co-man. So, which is contract packer or contract manufacturer. Typically, the people who are making the product, assuming that you're not doing your own self manufacturing. And so, then that co-packer is using that ingredient and they're making your product. Again, in this scenario, your product had cinnamon in it, because I just made that up now. But so, in that scenario, your co-packer is using the cinnamon. Your co-packer uses the cinnamon and all the other ingredients that go into your thing. And then effectively, they're selling that finished good in some capacity to you as a brand.

Again, the co-packer needs to make their money. Then you as a brand, maybe you even actually never touch the product, which is pretty common, right? So, it might go from the co-packer straight to a distributor or somebody else. But you virtually own it as a brand. Or maybe, you take it in to your own facility in some way. But you as a brand, obviously, you want to make your money. Then it goes on to, typically, the physical thing goes on to a distributor and or retailer. If you have a third party distributor who's taking it to a retailer, then that can be the case. Sometimes, you're actually delivering it straight to a retailer or to one of their distribution centers. But again, the point is, it's going to somebody else.

But then you can imagine, there often is another intermediary at that stage who might never physically touch the product. And that's, if you have a broker for that particular account or retailer. That broker, maybe they helped you get into that retailer and they get a percentage, a cut of the pie as it works its way between you and the distributor or retailer, right? So, you have different kinds of distributors. You have your broad line distributors, who back up to the back door and unload the pallet and say, "Good luck." And then, you have your DSD distributors, who are more hands on in actually placing the product on the shelf. So, you've got the distributor is trying to make their money.

Then you get to the retailer, they're trying to make their money. Right? And they're trying to sell the product along the way. And again, side note, as we understand how the economic model works. There are some retailers, and again, this is a little bit counterintuitive. This is an aside. I'll continue with my journey of the product in a second. But I think, it was actually pretty surprising to me early on, that some retailers, their business models, they make as much or in some cases more money from slotting fees, here, there's another term for you, than they do from actually selling the product.

And slotting fees are a wide range of fees, advertising fees, placement fees, free fill, a variety of other kind of setup fees to get you onto the shelf. And again, I'm not making any judgment about whether that's good or bad. I'm just saying you should know, that's part of the economic model for a lot of retailers. And so, anyway, so you're getting onto the shelf. So now again, this product that started out at the farmer rancher in our hypothetical example. The cinnamon plantation or whatever it is, in Sri Lanka, and you came over. And now, it's on the shelf. But then, you as a brander now, also paying. Maybe the retailer is helping with this, but usually it's all on you as a brand. You're paying various kind of demo, like sampling activities or other marketing things. Even arguably, your social media and other marketing activities that you engage in, that cost money. That's coming out of hopefully, what you made as a brand.

And then, and only then, is the product actually getting to the consumer, right? So, now the consumer sees it on the shelf. It has a price. They check out. They go home. They enjoy it, your cinnamon toasted bagel, whatever it is. And they love it. But you think, "Man, there was a lot of people, a lot of a lot of hands." Maybe not physical hands, but a lot of hands touch that product along the way. And every one of those had to make some money. They had to make their margin. And until you understand how all of that works, then a lot of parts of the industry will feel really opaque to you. It'll be just confusing and befuddling about, "Oh man, why is it that these big brands can sell their stuff for \$1.99, and all the small brands are three times or four times that cost?"

Well, there's a number of reasons. Economies of scale and efficiencies that have been built out over in many cases, decades. There are real strategic advantages for some of those brands, right? So, you've got to understand how those pieces play out. Because, if you don't, then it might be, and I see this and it's tragic, people who don't understand the economic model enough and they just go in and say, "Wow, I made a cookie. I'm going to compete with Oreos. And so, if Oreos are selling for a \$1.50, I guess my product needs to be a \$1.50." But you don't have all the advantages of Mondelez, which makes Oreo. And so, therefore, you're not going to make any money. Which, following that logic means, you're not going to stay in business very long, unless you've got a rich uncle who's willing and happy to keep dumping money into a losing enterprise. Which hopefully, for you and your uncle isn't the case.

So, once you understand all those pieces and you say, "Well, I can't always, like everybody else, nobody gets a pass on that." Nobody, the farmer, rancher, the suppliers, the importers, it costs actual money for them to do their part of the job. And so, they have to make their money. And

you as a brand have to make your money. And until you understand what the margin expectations are for each of those different folks, until you understand what's actually involved in getting the product from point A to point B. "How much does it cost to get a pallet of my product from wherever I'm located today or wherever my co-packers located today, to the end point at a distribution center or a retail distribution center?" When you really dig in and understand that stuff, then that's going to equip you and empower you to make better decisions about, how you should price your product, how you should begin to think about opportunities for cost savings and some other strategic decisions. That will in many cases, make or break your business in the short term and long-term.

And so, I think it's just absolutely fundamental, to be thoughtful and methodical about all of those details around your business and around the business that perhaps you've joined. Again, maybe you came in to this industry and you're like., "Well look, I did software. We were just bits and bytes and I don't understand any of this. These atoms and molecules that we are now distributing." Well, it behooves you to understand, maybe you're not going to be some supply chain logistics expert, but it's really, really helpful, even if you're in sales or even if you're doing technology related stuff for a brand, to understand how the pieces fit together. So that, you can be a strong contributor to the broader team and help from a strategic and tactical standpoint. And then, just also not waste your money, your investor's money or your co-founders time, your startup teams time. And where it takes you three to five years, in order to get really any, so that you get to the point where you're really contributing to the team.

And so, I think that this is hopefully, this has been a helpful... Again, one of the things that we tried to do here at Barcode, philosophically, is we're not trying to give you all the answers. We're trying to give you the mental models and frameworks for how you would go about developing and discovering those answers for yourself. And that's really what, again, your particular product, your particular situation will be unique. But my hope is, that this at least gives you a strategy for how you or your team can get up to speed faster, than if you just go with the status quo and let inertia drag you along, and that sort of thing.

And so, my hope is, if this is useful information for you, would you please share it with other people on your team. Or maybe, this is actually a thing that, either listening to the podcast or watching this on YouTube, you say, "Man, this is going to be part of our new employee orientation for folks who maybe are joining the team from another industry. Or maybe, it's a good refresher for a lot of other folks, even if they have a background in consumer packaged goods."

So, if this is useful to you, please share it with your friends. And certainly, we always appreciate it, if you can subscribe and rate, and review any of our episodes of the Barcode Podcast. And again, just tell your friends about it, if it's valuable. And I want to remind you, that you can always go to barcodestartup.com, and you can dig into obviously, [the handout that I've referred to here](#). But then also, a lot of other super interesting, valuable past episodes and future episodes that will, again, with that overarching goal of equipping emerging consumer brands for, hopefully, breakout success. So, again, thanks for joining us. Until next time, good to see you.