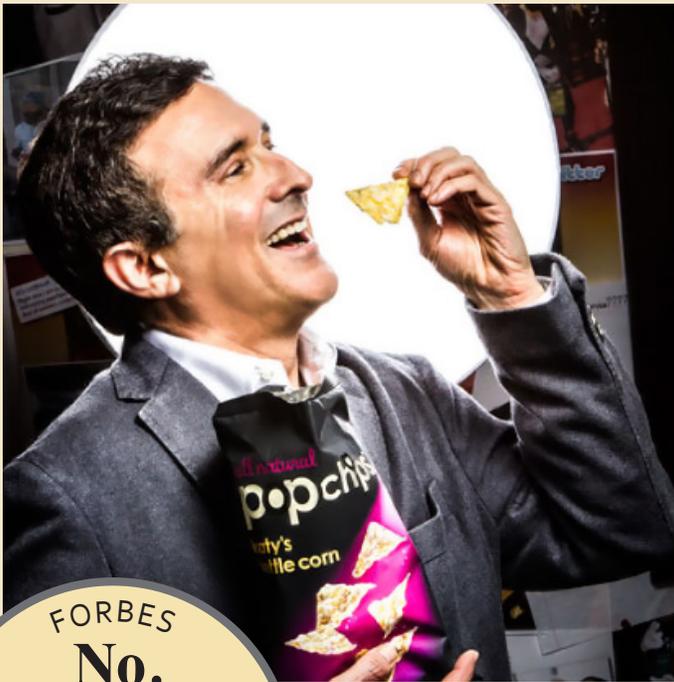


Forbes

AMERICA'S MOST PROMISING COMPANIES

POPCHIPS



We set out to do something completely different by applying the science of one product to another,” says Keith Belling, CEO and cofounder of popchips, the omnipresent snack food. He’s referring to his 2005 purchase and conversion of a rice-cake plant in L.A., retooled to make a new kind of potato chip, applying the same heat-and-pressure process to spuds. But he might as well be talking of his yearning to replicate the crazy success of vitaminwater—the drink that, with revenue just north of \$300 million, was sold to Coca-Cola half a dozen years ago for a staggering \$4.1 billion.

Belling—whose entrepreneurial résumé includes a coffee-bar chain, a restaurant group and allbusiness.com (sold to NBC for \$225 million)—has long had a weakness for vitaminwater. But

FORBES
No.
5
AMERICA'S MOST PROMISING COMPANIES

over the last four-plus years he's also adopted virtually every aspect of its growth strategy, from its private equity backing to its celebrity pimping, in the hopes of reengineering a similar success. In the \$90-billion-a-year global snacking market, where the odds of survival are slightly worse than riding out the Ebola virus, can lightning strike twice?

Popchips started with a distinctive edge. "Popping was a breakthrough," says Kara Nielsen, a so-called food trendologist for CCD Innovation, a San Francisco consultancy. But Belling and cofounder Pat Turpin, an ex-investment banker who managed the snack marketing business for Costco, needed to get the snack out there fast before they could persuade chains like Safeway and Whole Foods to clear shelf space. So they gave away samples—lots and lots of them—on Google's Mountain View campus and the Menlo Park offices of Facebook, as well as at road races and charity and community events. Street teams descended on hip neighborhoods, concerts and cultural events, as vitaminwater had, to give out free bags of popchips.

By 2008 popchips sales reached \$6.5 million, drawing calls from private equity firms. Only one got Belling's attention—from Alex Panos, managing director of TSG Consumer Partners, whom he'd known socially for years. "Here's this triple-A firm, and we're still so small," recalls Belling. "I laughed and said I'd love to meet, but I didn't want to waste his time."

Knowing that TSG had been an early investor in vitaminwater—selling its 30% stake to Indian investment group Tata for a reported \$677 million a year before the Coke deal—Belling dropped a line that became his lodestar: "I hope popchips will be the vitaminwater of the snack aisle."

The die was cast. TSG introduced him to Rohan Oza. As vitaminwater's CMO,

Oza shepherded it through the sale to Coke. He loved the look and taste of popchips, and Belling's street-smart distribution. Oza signed on as an investor and advisor, helping bring on 25 vitaminwater vets, mostly in sales and marketing.

Belling, who grew up in the Bay Area, had the West Coast covered. One of Oza's missions was to bring popchips east. In 2009 the snack showed up at Mercedes-Benz Fashion Week; packages were sent to 1,000-plus "tastemakers." Within a year popchips were in Target, Whole Foods and Jamba Juice, and on Virgin Airlines flights.

Popchips ended 2010 with sales of \$40.9 million. Oza played his star card: inviting celebrities to invest in, "create" a new flavor for and flog the brand, a model he exploited for vitaminwater in 2004, luring 50 Cent. (After the Coke deal that investment netted the rapper a FORBES-estimated \$100 million.)

First recruit: Ashton Kutcher. Belling says when the actor approached the company, he thought he was being punk'd. But the investment was real (Kutcher also holds stakes in Fab.com, travel website Hipmunk and Airbnb). So was his offer to guide social media strategy; he has 13 million Twitter followers.

Kutcher was joined as spokesperson by pop singer Katy Perry, who joined as a minority investor in August. Watch out for Katy's Kettle Corn any day. Other popchips celeb investors: Jillian Michaels, Heidi Klum and Sean "Diddy" Combs.

TSG sold its stake in popchips a year ago, just as it did with vitaminwater in 2006. The buyer was Verlinvest, a Brussels investment firm. How much did it kick in? No one's talking. But, following the vitaminwater script, it seems fair to estimate it took a 30% stake.

So far the popchip-off-the-old-block approach seems to be working. "It's a well-played strategy," says Jim Stengel, former global marketing officer at Procter & Gamble, where he spent over 25 years watching upstart brands being acquired. In fact, the copycat is attracting copycats from the likes of Quaker's Popped to Popcorners and Kellogg's Popcorn Chips.

"We're keeping our heads down," says Belling. "But, sure, at some point we hope we're lucky enough to find the right partnership." And to disprove some of the longest odds in commercial—or natural—history.