

How to whet the appetite of food investors

 By [Lauren Hartzenberg](#)

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The global food and beverage business is brimming with innovation. Competition is stiff between FMCG giants and startups racing to get their latest product onto retail shelves and into the hands of consumers.



Credit: Getty

It's comforting to know that the level of ingenuity displayed in South Africa's food space doesn't lag behind global counterparts. Judy Sendzul, a senior executive at InvenfinFoods, owned by investment holding company Remgro, puts this down to South Africans' aggressive catch-up attitude.

"We're always thinking we're behind the game, but we're not. What's important in the SA food landscape is we've got world-class standards in manufacturing practices, and competent retailers and auditing bodies. Then there's our level of innovation, and our natural curiosity, which can be seen in the fact that we like to travel a lot; so we've got a good understanding of what the world is looking for."

Sendzul was speaking during a panel discussion titled '*Investor insight – Defining strategies for investing in food tech*' at [FoodNextAfrica](#) held in Cape Town recently. She was joined by fellow panellists Nicki Russel, head of innovation and trend at Pick n Pay; Ewoud Derksen, director at private equity firm One Thousand & One Voices (1K1V); and moderator Chris Ball from Finch Investments.

“ [@PicknPay](#)'s Russel weighs in on food trends and investing in businesses that cater to SA's broad and complex consumer base: "Can we find a lunch box item that's going to be purchased in both Soweto and Sandton that's affordable, relevant and healthy." [#foodnextafrica](#) [@FoodnextA](#) <https://t.co/19nt9Jvc77>— Bizcommunity Retail (@Biz_Retail) [September 11, 2019](#) ”

The panelists shared their views on disruptive consumer trends, business scalability and what investors are looking for when investing in food businesses.

Brand-building before investment

Depending on the business concept, there can be a low barrier of entry for food startups entering the retail market. Derksen pointed out that a young business is able to get its product onto a retail shelf relatively easily. Then, after building up the brand and generating consumer excitement, the company has an opportunity to seek formal investment.

“There are a full spectrum of investors willing to provide not necessarily startup capital, but certainly serious growth capital to take your product to the world,” he said.



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Sendzul agreed that there needs to be evidence of traction in the market before most investors would consider offering funding, adding that unlike in the tech industry, simply presenting a concept or prototype doesn't cut it in the food space. “We're in the risk game, so the business doesn't need to be profitable. But whatever you're putting down as your business plan, your projections need to have some kind of basis to them,” Sendzul said.

Derksen added that if they're looking to invest in a business that isn't profitable, then historical growth will be important. “How long have you been at it? It's one thing to say that you're growing revenue, but if you're only growing at 1% and it's still not profitable after 5 years it might not be the best investment after all.”

Local really is *lekker*

The uniquely South African qualities of some local brands have stood them in good stead in international markets. In terms of food investments that are most appealing, Sendzul pointed out that InventfinFoods looks for products that are intrinsically South African or African that can comfortably sit in the global space.

“It needs to communicate through a very strong brand with emotional connection, and must be able to be a challenger in a big category on a global scale,” she added.



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Lauren Hartzenberg 17 Sep 2019



An example of this is BOS Ice Tea, one of InvenfinFoods' first investments and a Rooibos-based beverage brand that continues to notch up [accolades abroad](#).

Derksen added that Rooibos is unique in that it's grown in a small area in the Cederberg, giving it an appealing African story attached to it that investors on Wall Street and in the UK find fascinating.

Likewise, Derksen, whose doing business with one of the three biltong factories in the United States, said that the meaty South African snack also holds appeal for consumers in other corners of the earth.

In the US specifically, he said, "91% of US consumers snack at least once a day and 66% of them want to include more protein in their diet. They're already comfortable with the idea of snacking on a protein-based snack because of jerky, but biltong has 60% more protein in it. It also has no sugar and five key ingredients including coriander, salt, vinegar, etc., whereas jerky includes lots of colourants and flavourants, which doesn't fit the trend of health and wellness," he said.



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Authenticity sells

Product origin is now more important than ever, with shoppers pressing brands for transparency around their supply chains.

Part of the InvenfinFoods portfolio is [De Villiers Chocolate](#), a bean-to-bar chocolate brand created by Pieter de Villiers in Paarl, Western Cape. There's currently a [Kickstarter campaign](#) on the go to expand De Villiers' sustainably-sourced chocolate to the U.S market, where Sendzul believes it will entice consumers with its premium quality and authentic back story.



SA's De Villiers Chocolate secures shelf space abroad

15 Feb 2018



"There are other bean to bar chocolates out there, but African chocolate is particularly good. Global chocolate houses have been sourcing it from here in bulk for ages. But we've found true entrepreneurs in Africa with whom we can actually trace the bean to the slopes of a specific mountain in Uganda, for example, back to Paarl where it's made, and then be able to label it as Ugandan chocolate.

"Being able to understand the nuances between a Ghanaian chocolate and a Ugandan chocolate and then link that to some kind of terroir is how we'll take this brand to America," Sendzul explained.

She said that people love a credible back story that allows them to learn about what they're buying.

"It's something sticky for people to hold onto. It's important to find your complete point of difference and stick to it. Find your tribe that's going to appreciate what you're doing and why you're doing it. Keep dialling that up, instead of trying to be everything to everyone."

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