

Healthy Snack Maker Sweet on Southern California

FOOD: Popchips to ditch San Francisco headquarters for Playa Vista building.

By **BETHANY FIRNHABER** Staff Reporter

Snack company **Popchips Inc.**, which has made big moves this year in an effort to become the country's go-to healthy snack, is planning its biggest move yet.

The San Francisco company known for its low-fat "popped" potato snacks will move its headquarters to Playa Vista, an area that has lately been attracting technology, media and advertising companies.

The new office, in about 7,500 square feet at the Water's Edge building, will be an expansion for Popchips, which had about 20 employees in 4,000

square feet at its Bay Area home. The headquarters should accommodate between 40 and 50 sales, marketing and finance employees, many of whom have already moved into temporary space in the building while construction is completed on the newly leased space.

The relocation comes after the company made major organizational changes to stay competitive in the \$16 billion U.S. salty snack market.

In January, Popchips began an overhaul of its executive team, naming industry veteran **Paul Davis** president and chief executive. Davis has held a series of senior positions at consumer food businesses, including president



Davis

of North American operations for **Starbucks Coffee Co.**, president of **Frito-Lay Canada Inc.** and chief executive of potato chip maker **Kettle Foods**. At Popchips, he assumed roles that had been held by co-founders **Keith Belling** and **Patrick Turpin**.

Dan Redfern was named chief financial officer, a title he previously held at **PepsiCo Inc.**'s bottling division.

In April, Davis lured **Marc Seguin**, who for nine years had directed marketing efforts for brands such as **Pom Wonderful** and **Wonderful Pistachios** at **Lynda and Stewart Resnick's Roll Global**, to be chief marketing officer. **Mark Masten**, vice president of global sales for **Roll's** **Paramount Farms**, has also joined the company as chief customer officer.

Davis said much of the change seen at the company was a product of the founders' decision to hand over the reins. Still, stagnant sales

and an unhappy board may have played a role.

Brussels investment firm **Verlinvest**, which manages the family wealth created by beer empire **Anheuser-Busch InBev**, took a significant stake in the company — reported to be at least 30 percent — for an undisclosed price in 2012. At the time, the company had been experiencing rapid sales growth, going from \$6.5 million in revenue in 2008 to about \$94 million in 2012, according to a Forbes estimate. At the time, Forbes estimated the business to be worth about \$375 million.

Davis declined to confirm those numbers or disclose more recent financial figures, but did concede that sales were flat in 2013.

"They were flat mostly as a result of me-too knockoffs, people trying to come into the 'popped' snack category and draft off our success," he said.

Marc Halperin, a principal at San Francisco food product development consultancy **CCD Innovation**, said the Popchips board was likely dissatisfied with the company's direction and sought to mix things up in the c-suite.



In Bag: Water's Edge in Playa Vista.

"There are really only two reasons to shake up the management team," he said. "They want to increase sales and profitability in order to operate a nicely profitable business long term, or they want to polish it up and cast the best light they can for acquisition."

Davis didn't address the possibility of a sale, but said he expected the rate of revenue growth to kick up again to around 15 percent annually over the next three years.

Investor appetite

Popchips got its start two years after Belling and Turpin bought an old rice cake manufacturing plant in Rancho Dominguez in 2005. They retooled the plant into one that used similar technology to "pop" potatoes, tortillas and corn into chip-like snacks with familiar flavors such as sea salt, sour cream and onion, barbecue and salt and vinegar. Recently, the company has also taken to popping vegetables such as kale, pumpkin, beets and bell peppers for its new veggie Popchips line.

Seguin said that during his first few months on the job, he realized Popchips had good brand awareness on the West Coast and in major metropolitan areas where the company had done extensive experiential marketing campaigns and sampling. But in most of Middle America and the South, he said, the brand was hardly recognized at all.

To fix that, he is trying to replicate the success he had at Roll, where he oversaw the Wonderful Pistachio campaign featuring Korean pop star **Psy** and late-night comedian **Steven Colbert** in TV ads that aired during the Super Bowl.

The campaign planned for Popchips, however, will not have the same resources thrown at it. The Popchips TV campaign will feature little-known stand-up comedians in 15- and 30-second spots that are scheduled to start running during season premieres of NBC shows "The Voice," "Blacklist" and "Parenthood" this week.

"We looked at a few options, and TV really made the most sense," Seguin said. "It's a loud megaphone to efficiently get our message out there."

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