



# **The Clif Bar Journey: Doing Business Differently**

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# Outline

- Clif Bar History and Milestones
- How We Measure Success
- Examples
- What I Wish I'd Learned
- Questions?



# History and Milestones

- 1990 The Epiphany Ride, Clif Bar is born
- 1993 Company reaches \$1M in sales
- 1997 Fitness center opens on site for employees
- 1999 Luna Bar developed, hit \$10M in first year
- 2000 Company offered \$\$\$ from large CPG companies, but Gary buys out partner with debt instead
- 2001 Full-time ecologist hired and 2080 program born



# History and Milestones

- 2002 Five Aspirations established and documented
- 2003 Clif Bar becomes USDA certified and allowed “Made with Organic Ingredients” on package
- 2004 Clif Builders and Clif Kid Zbar launched
- 2005 Clif Nectar launched with 100% organic ingredients
- 2006 Clif Family Foundation established  
Company begins using biodiesel for intercompany shipping

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# History and Milestones

2007

Pay off “old debt” from partner buyout

Surpass \$176M in revenue

1 in every 4 energy bars consumed is a Clif Bar product

Exceed 200 employees



# Our Five Aspirations

- Similar to the triple bottom line approach
- Governs the performance of the business
- How the shareholders derive their annual returns
- Used to attract like minded partners, employees and stakeholders



# Our Five Aspirations

- **Sustaining the Business**
  - Sustainable, long-term focus
  - Focus on profitability and cash flow along with revolving debt to finance operations
  - High dividend retention based on company market value
  - Live within our means – based upon natural demand
  - Outsource capital intensive functions (manufacturing, logistics)
  - Stay privately held – eliminate SOX compliance costs



# Our Five Aspirations

- **Sustaining the Brand**
  - Focus on quality ingredients, baking processes and assurance
  - Use packaging to tell the story
  - Ensure authentic relationships with consumers through sampling, events and experience
  - Grassroots marketing
  - Maintain strong PR focus
  - Strong web presence
  - Listen to our loyalists, ambassadors





# Our Five Aspirations

- **Sustaining our People**
  - Offer competitive pay and benefits
  - Develop culture that feeds people's passions
  - Low voluntary turnover rates
  - Maintain work life balance
  - Offer unique programs
    - First time home buyer program
    - Cool commute/home incentives
    - Concierge services
    - 2080 community service



*Clif Bar employees "dig in" for a day of community service at the Alice Griffin Community Garden in San Francisco.*



# Our Five Aspirations

- Sustaining our Community

- Give 1% of revenues

- 75% Cash to Clif Family Foundation
- 15% Donated Product
- 10% 2080 programs-community service hours

- Support local charities and national partners

- Breast Cancer Fund
- Organic Farming Research Foundation





# Our Five Aspirations

- **Sustaining the Planet**

Provide Education/Internal Resources to employees

- The Natural Step (TNS) trainings
- New employee training
- Speakers
- Notes from the Ecologist
- Newsletter, etc.
- In-house consulting
- Office Green-up and Carbon Offsets



# Our Five Aspirations

- Sustaining the Planet
  - Evaluate our Supply Chain
    - Ecosystem assessment
    - Code of Conduct with suppliers
    - Sustainable packaging





# The Balancing Act

- Majority of decisions are weighed against 5 aspirations
- Not perfect – continue to evolve
- Forced to make tradeoffs
- Engage employees and stakeholders
- Growth is not the driving force, it's the outcome (the result of staying true to aspirations)



# Examples

- Going Organic
- Powder Drink
- Eliminating Muda

## *ECO UPDATE: A Report on Our Progress, 2001-2006*

*On Earth Day 2001, we launched a company-wide sustainability program. We committed ourselves to reducing our environmental impact in everything we do, from the field to our final product. We report here on the progress we've made in five specific areas: organic ingredients, packaging materials, our climate footprint (carbon emissions and offsets), inter-company shipping, and our move toward zero waste.*

### **Raising the Sustainable Bar** Increased Use of Organic Ingredients

Our move to organic is the most significant environmental effort we've made as a company. Since 2002, we've increased our use of organic ingredients to 70% of all ingredients we buy, purchasing nearly 20 million pounds of organic ingredients a year; we now make 11 different certified organic products.





# Going Organic - 2003

- Drivers
  - Wanted better quality product
  - Provide safe ingredients to our consumers
  - Right thing to do-support organic farming communities
  - Experiencing stagnant growth



# Going Organic - 2003

- Issues
  - Classic GM problem
    - Increased cost of goods
    - Increased supply risk of obtaining ingredients
    - Reduced retail price to stimulate sales
- Bottom Line
  - Finance challenged old KPI of high GM%
    - Needed to invest to drive gross profit \$
    - Had high levels of debt service



# Going Organic - 2003

- Results
  - \$ Sales increased 25% in first year
  - Drove gross profit \$
  - Allowed greater purchasing power that buoyed GM%
  - Differentiated us from our competitors



# Powder Drink

- Drivers
  - Market indicators suggested demand
    - Hydration was an emerging trend
  - Resistance to plastic bottles
    - Increased demand for SIGG bottles
    - Health concerns regarding plastic
  - Costly to ship water
    - More space in the truck
    - Increasing fuel costs



# Powder Drink

- Issues
  - Confusing for retailers to find optimal POP
  - Price prohibitive – organic fruit crystals, very expensive
  - Product quality – organic sugar bad for solubility
  - Going against main stream
    - Consumers like convenience of ready to drink
- Bottom Line
  - Brand wanted to diversify outside of bars
  - Gross margin risky to begin with
  - Wanted to be first organic powder to market



# Powder Drink

- Results
  - Couldn't deliver quality product at good value to consumer
  - At retail, couldn't get to right consumer
  - Risked hurting Luna brand equity
  - Pulled product and took large write-offs



# Eliminating Muda

- Drivers

- Wanted to eliminate shrink-wrap
- Wanted recycled paperboard caddy
- All to limit our packaging impacts and costs to environment
- Current supplier told we couldn't do it
  - Too costly
  - Caddy would not be strong enough



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# Eliminating Muda

- Issues
  - Another GM problem
    - Cost increase
    - Risk of inventory write-offs through damages
- Bottom Line
  - Operations felt compelled to explore this project
  - Developed team with Finance and Brand to analyze
  - Prepared to trade off environmental impact for higher costs and decline to GM%



# Eliminating Muda

- Results
  - Designed 100% recycled paperboard with 50% post consumer waste
  - Eliminated shrink wrap
  - Saved \$50,000/year, eliminated 90,000 lbs of shrink-wrap per year
  - Saved environmental “costs”
    - 3,000,000 gallons of water
    - 8,000 trees
    - Enough energy to run 60 homes for a year



# What I Wish I'd Learned

- Increasing value not always function of higher sales and controlling/cutting costs
- Cash is King...the most important financial statement
- Get beyond the numbers and accounting rules and learn to tell the story to non financial people
- Challenge industry benchmarks when comparing ratios (not always apples to apples)
- How to capture those externalities into financial statements/analysis

Education's purpose is to replace an empty mind with an open one.

~Malcolm Forbes



# Questions?

