

Do Your Marketing Materials Work? See Page 81

# Inc.

THE MAGAZINE FOR GROWING COMPANIES

## DO PARTNERSHIPS ALWAYS HAVE TO FAIL? SIX TRUE CONFESSIONS

PLUS:

Are You Ready for a Partner?  
(Is a Partner Ready for You?)  
Take This Test First....

TV HOME SHOPPING: Small  
Companies Hit the Small Screen

GROWTH BY ACQUISITION?  
A Cautionary Tale

HANDSON  
32 IDEAS  
YOU CAN USE

Benchmark:  
Is Your  
Sales-Exec  
Pay in Line?

How to Make  
Your Employee  
Survey Pay Off

How to Spot Loan  
Scams Before  
You Get Burned

JUNE 1994/\$3.00

06



02768

0 884 265 7

WOULDN'T YOUR BEST FRIEND BE THE  
PERFECT PARTNER? DOUG FOREMAN  
THOUGHT SO, TOO. (SEE PAGE 46)

## state of the art

## Designer Foods

**T**hey've been called designer foods, functional foods, pharmafoods, nutraceuticals, and even Frankenfoods (by their detractors). In essence, designer foods are foods (or parts of foods) that have been developed to provide health benefits in addition to their nutritional content. The field traces its roots to former National Cancer Institute toxicologist Dr. Herbert Pierson. In 1989 Pierson, convinced of the link between diet and cancer, persuaded his employer to launch and fund the five-year, \$20-million Designer Food Program. Today designer foods are estimated by food consultants Technology Catalysts to be one of the fastest-growing segments of the food industry—projected to reach revenues of

\$7.5 billion to \$9 billion next year—despite the fact that the field is hampered by Food and Drug Administration hesitation about how to regulate products that straddle the line between a food and a drug.

"The nutraceutical revolution represents an enormous opportunity for growth and expansion," Dr. Stephen L. DeFelicis, chairman of the Foundation for Innovation in Medicine, has written, adding, "As in other emerging areas, it is likely to be small entrepreneurial units that first demonstrate the legitimacy of this new market."

Some innovative start-ups cooking up designer recipes:


**CER-BURG ENTERPRISES**  
*Hawthorne, Fla.*

Two scientists at the University of Florida, James Cerda and retired chemist Charles Burgin, have spent 20 years researching their theory that citrus pectin (the sticky binding fiber found in fruit membranes and rind) can reduce cholesterol levels when added to a daily diet. One big problem: coming up with a palatable form of pectin, since the substance is slimy by nature. Mixing grapefruit pectin with egg whites and a plant fiber called guar gum seemed to do the trick: the result is a tasteless powder that can be blended into beverages or sprinkled onto fruits and cereals. In September 1993, bolstered by \$250,000 in private start-up funds, Cerda and Burgin launched

Cer-Burg Enterprises to commercialize ProFibe, the fruit of their labors. ProFibe was introduced into the marketplace in March. President Al Burgin (Charles's son) says Cer-Burg's business plan projects the company will reach \$130 million in revenues in five years.

**GALAGEN**
*Arden Hills, Minn.*

"I've gone from MIT to cows," says Robert Hoerr. Hoerr is president of Galagen, a two-year-old start-up developing powdered milk-like products designed to treat a variety of gastrointestinal diseases, such as ulcers and diarrhea. To avoid the regulatory uncertainty still surrounding nutraceuticals, Galagen is having its products classified and regu-

lated by the FDA as a form of drug. The company is scheduled to introduce the gastrointestinal-disease-fighting products beginning in 1997. Hoerr adds that logical future extensions of Galagen's technology could be high-value infant formulas and fortified nutritional supplements for AIDS and cancer patients. The privately financed company expects revenues of \$300 million within three to five years of its first product introduction.

**GREEN KAMUT**
*Long Beach, Calif.*

Last year, with \$300,000 in personal and borrowed funds, David Sandoval launched a company built around a technology he claims will "revolutionize the way people perceive food

over the next 50 years." Green Kamut's product is an "heirloom," a nonhybrid grain that originated in the Nile region of Egypt. Called green kamut, the ancient grain is a member of the wheat family but, according to Sandoval, is substantially higher in nutrients like protein and minerals. After harvesting, Green Kamut treats the plants' leaves with an extraction method that removes their fiber and almost all their moisture, leaving the vitamins, minerals, and enzymes behind. The result is a nutritionally rich green powder that Sandoval sells for about 13¢ a teaspoon. He reports sales of green kamut to pharmaceutical and natural-foods companies in 16 countries and expects 1994 revenues of \$2 million. —A.B.