



## CANDYRIFIC LLC

**Lean from organic products to candy gains Auerbach recognition**

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**W**alk down the candy aisle of a Target, a Speedway gas and convenience store or a plethora of other stores, and you're likely to see Rob Auerbach's products among the offerings.

His items are part toy and part candy.

Pick the "Shrek the Third" up by its slender, plastic, twist-off handle — which covers a sucker — and a shake of Shrek's lime green head creates a laughing sound.

Push a button on another item, and the soft blades spin on the "Lite Up Helicopter Candy Pop Fan."

Both pieces have the "try me" feature that Auerbach said is vital to making a sale of the novelty items.

### *Gaining national attention*

Auerbach's 6-year-old CandyRific LLC and its interactive products, most priced between \$2 and \$4 each, certainly have made the sales.

In dollar volume, CandyRific's sales have doubled each of the past four years, Auerbach said.

Last year, it made Inc. magazine's Inc. 500 list of the nation's fastest-growing private companies, placing at No. 181, based on revenue growth from 2002 to 2005.

This year, the magazine expanded the list to 5,000 companies, and CandyRific placed at No. 322. Its 2006 revenue hit \$12.9 million on the strength of U.S. retail store sales of \$30 million.

### *Lessons learned*

Lest his success sound like child's play, Auerbach confesses that when he and a St. Louis partner, Paul Roberts, launched their first product in 2001, they promptly lost \$140,000 when a customer went bankrupt and didn't pay them.

Other missteps included producing an N'Sync item related to the pop music group that disbanded in 2002. CandyRific's core customers — 5- to 9-year-olds — couldn't relate to the product.

Finding a bank to extend credit was tough, too, before the company began working with Chase bank.

### *Product gives CandyRific huge boost*

But it was those spinning fan pops, Auerbach said, that played a pivotal role in the company's "metamorphosis" from a maker of a handful of novelty suckers to a growing presence in the candy industry.

Today CandyRific manufactures a variety of confectionery items, including some with licensed tie-ins to movies and motor sports, for U.S. and international markets.

The company sells more than 35 different items in every state and more than 40 countries.

In addition to big-time players such as Walgreens stores and Blockbuster, CandyRific has about 850 customers in the United States.

That lessens the risk of losing a substantial amount of business when individual clients drop off. No single customer represents more than 5 percent of CandyRific's business.

About one-third of the company's products are what Auerbach called "evergreen" items, which are not tied to a movie or specific event, so they have years of shelf life.

"Shrek the Third Giggly Head Candy Pop," on the other hand, arrived in stores last April, ahead of the movie's release in May. The novelty confection licensing agreement with the filmmaker, DreamWorks, cost CandyRific \$100,000 to put Shrek's image on that specific product only.

A second bump in Shrek sales is expected with the launch of the movie DVD next year, but after that, Auerbach expects sales to cool quickly. Some other big CandyRific licensees are Hello Kitty, M&M'S and SpongeBob SquarePants.

Auerbach takes business trips to China about three times a year. Product safety, he said, has not been an issue because of routine inspections, random inspections of shipping containers and other check-off procedures that the company has instituted.

Auerbach said CandyRific has a low rate of 1 percent product defects, and those, he said, have to do with workmanship, not health concerns.

#### **Designing his way into the business**

In 1997, a friend in the toy business asked Auerbach to design a product, and he came up with the "candy popper" for children. They push a button and candy bounces around in a plastic dome.

It was an instant hit and "sold six million," he said. Auerbach subsequently bought the rights to make the item himself.

A staff of five, plus Auerbach and his partner, form the backbone of CandyRific, which has offices on the second floor above Auerbach's Rainbow Blossom Natural Food Markets on Lexington Road.

Auerbach smiled at the contrast between his natural foods and candy companies. He also pointed out that competition has heated up in the natural foods grocery business. And some CandyRific products are sold at Rainbow Blossom.

"In one business I save the world, and in another I save myself. CandyRific has been very helpful to Rainbow Blossom." Organic items, he suggested, might be added to CandyRific's lineup.

By the way, were there any practical benefits from being put on the Inc. 500 and 5,000 lists?

"You get some accolades from colleagues and a whole lot of junk mail." |

#### **Good sense for the business**

Auerbach said he follows his own instincts as to what new item will be hot and when. That strategy, he said, sometimes causes his sales director to get "hyper" because new products are not introduced along a more set timetable.

"Good product sense," not a degree in child psychology, is behind the merchandise, which is designed by Auerbach.

Unique toys and "the right price points" are vital, he said, along with choosing to deal with skilled brokers and licensees.

#### **A far-flung network**

The company stores products in huge warehouses in Columbus, Ohio, and Long Beach, Calif. It works with a graphic designer in New York, a licensing agent in Southern California and has its own electronic data systems whiz.



**Rob Auerbach's colorful CandyRific products are a big hit with consumers.**

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#### **ABOUT CANDYRIFIC**

**Principals:** Rob Auerbach, 55, CEO, who also owns Rainbow Blossom Natural Food Markets, and a partner, Paul Roberts, of St. Louis

**About the company:** CandyRific designs, manufactures and sells novelty candy items.

**Employees:** Seven

**Founded:** 2000

**On CandyRific's challenges working with companies overseas:** Chinese manufacturers have to understand Western strategies, such as making products with high-quality materials, said Auerbach. "They tend to think short-term."

