

The Universe Wants These Crackers:

Mary's Gone Crackers' Story of Perseverance

By Kat Schuett

On New Year's Day 1999, Mary Waldner woke up with an idea—a calling, one might say.

She knew she had to share her crackers with the world.

These were no ordinary crackers. After suffering for years from an undiag-

nosed illness, at the age the of 43, Waldner found out that she had celiac disease, an autoimmune disease caused by an intolerance to gluten, the protein found in wheat, rye and barley and an additive in a plethora of products. Not only that, her son had celiac disease as well.

Frustrated by the lack of quality gluten-free options in grocery stores, as well as at parties and restaurants, Waldner started mixing up something to munch on that she could take with her anywhere. As people tried the cracker, they loved it and soon she was making batches of 250 crackers in her home kitchen, packaging them in hand-labeled bags and watching them fly off the shelves at her local natural foods store.

Since then, the gluten-free category has exploded and Waldner and her husband Dale Rodrigues, the visionaries of Mary's Gone Crackers, have created a line of products that has not only become a top seller for those avoiding gluten, but a superstar mainstream product as well—



topping the charts across the country as the best-selling organic/natural cracker. Mary's Gone Crackers has been featured in media ranging from *Prevention Magazine* to Good Morning America, and received the Gold Specialty Outstanding Food Innovation (sofi) Award at the 2008 Fancy Foods Show in New York City. This past November, the company hit a record \$1 million in sales in one month, and over 2009 it grew its top line sales more than 42 percent. Besides five flavors of crackers, Mary's Gone Crackers has also introduced three flavors of "Sticks and Twigs," a pretzel-stick alternative. And fresh out of the oven this January are Waldner's innovative new "love Cookies," a vegan, whole food treat. With a host of other new gluten-free product formulations just waiting for the right time to come out—and an estimated 2 million people in the United States with celiac disease (about 1 in 133 people)—Mary's Gone Crackers is sure to see continued growth.

But the road to the success was not easy. Waldner and Rodrigues almost lost control of their company twice due to investors who had their own agendas, were on the edge of being bankrupted by a consultant, and over and over again people who supposedly knew what they were doing—seasoned business and manufacturing professionals—would tell them they were going to fail unless they compromised their ideals. They faced all of this on top of having to figure out how to manufacture a product that had never been manufactured before.

Throughout the arduous process, survival and success came down to following their vision, trusting their instincts and not letting themselves fall prey to conventional wisdom. With each crook in the road, they gained new insight and inspiration.

"We risked everything after the age of 50 to start a business we knew

nothing about," says Rodrigues. "But whenever we thought things could not get worse, we would find a way to miraculously pull through. After these 11th hour saves, we always would say, 'the universe must really want these crackers.'"

Insight No. 1:

Don't Be Afraid to Do Things Differently from Everyone Else. Nothing Innovative Came from Following Conventional Wisdom.

Ask anyone who has tried to create a gluten-free product and they will tell you it's no piece of gluten-free cake. Gluten is responsible for the elasticity and

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cohesiveness in dough. When Waldner started looking for machines that could make her crackers, the typical roll-and-cut operations wouldn't work. The dough was too gooey. She and Rodrigues ended up having to invent a machine for part of the process, but even with the proper equipment, they didn't have a facility or any experience in manufacturing—so Waldner started looking into co-packers. At the time, however, finding a co-packer who had dedicated gluten-free manufacturing space was impossible. So she took a different approach and started calling companies that made gluten-free products to see if

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they could possibly share their facility. Finally, she found a company to partner with. “They were gung ho, we were gung ho,” says Waldner, and after bringing in some equipment and working for months to figure out how to manufacture Waldner’s handmade recipe, the company added the co-packing operation to its production schedule.

While it seemed like a great partnership, there was one major problem. “They didn’t care like we cared,” Waldner says. Coming from a long bloodline of manufacturers, the facility owners tried to convince Waldner that they knew best and pressured her to lower her expectations. They didn’t see the value in Waldner’s commitment to organic ingredients and would tell her to switch to non-organic grains because organic was too hard to source. They tried to cut corners, saying it “wouldn’t matter” if they allowed a few burnt crackers into the mix and just to except the waste that was created because it was “part of the manufacturing process.” But with each disagreement Waldner stuck to her vision and refused to accept a lower standard.

This was not the only time Waldner’s unconventional approach was questioned. From the start, established food professionals would tell her she needed to change the company name—that they would never be successful with a name like “Mary’s Gone Crackers.” But today the name is loved by consumers. “Everyone laughs—how bad can that be?” Waldner says. They would say that she needed to add more products because “no one ever gets into Whole Foods with just one product,” yet Mary’s Gone Crackers was able to get placement with only one flavor. They questioned her formulation, telling her that she needed to add gums, additives “and other weird things I didn’t want to eat,” she notes. They would push her to add more salt, saying, “Consumers expect certain levels of salt and sugar. They won’t like it if you don’t add more salt.” But Waldner again stuck to her vision. “People are used to lots of salt and sugar, but within a few days of cutting down on it, your palate becomes trained to expect less and you start picking up the flavors of the grains more,” she said. “People love the taste of our product and they like the fact that we use healthy, clean ingredients.”

Bucking the typical way of doing things has always been the company’s product development philosophy. With her new line of cookies, Waldner not only used alternative, wholesome gluten-free flours made from yellow peas, amaranth and brown rice, she also sought out healthier sweeteners like palm sugar and tapioca. Instead of using eggs, she created a vegan formulation using chia seeds, a nutrient-rich superfood that improves the product’s texture. In her “N’Oatmeal” cookies, instead of using oats, which often contain gluten due to shared processing with wheat, Waldner uses quinoa, a protein-rich seed that has the same type of mouthfeel.

Whether creating an innovative product or questioning traditional processes, Mary’s Gone Crackers’ success has been repeatedly defined by taking a non-conventional approach. Rodrigues commented, “Whenever someone advises us to do something because ‘that’s the way it’s always been done’ I think, ‘Give me a reason that fits our situation today. If your goal is for us to be like everyone else, I’m not interested.’ Why would you want to take the conventional approach in an industry that was started to change the world?”

**Insight No. 2:
When It Seems as Though Others
Have Lost Their Integrity, You
Must Cling to Yours Even More—
In the End You Will Win**

Despite the naysayers and technical obstacles, people loved Waldner’s crackers and by the last quarter of 2005, just a year and a half after launching, they had achieved sales of \$1.5 million. But their biggest challenge—actually a combination of three major setbacks at once—was yet to come.

The First Major Setback. At that time, the rapid growth of the company was becoming too much for the co-

packer to handle, so Rodrigues decided to take over production to help maintain quality control. To do that, he had to hire someone to take other responsibilities off his plate, so he brought in a seasoned sales consultant. Things seemed to be going great. The consultant said he had placed the product line in a long list of retail stores, including setting up new accounts at 27 Whole Foods locations.

Then Rodrigues started noticing sales dropping. If they were getting into all these stores, how could sales be going down, he wondered. So he called his sales guru to find out what was going on. After getting no clear answer, Rodrigues had his assistant start calling stores. One by one, they found out that most of the stores they were told the product was being sold in had never even been approached about it. Out of the 27 Whole Foods

stores, there were only five that were actually carrying the Mary's Gone Crackers line. Rodrigues continued contacting all the stores that were supposedly selling their product and found that a shocking total of 800 stores had never even taken on the brand. In addition, when Rodrigues looked more closely he found that everything from \$500 dinners to \$30 pens had been expensed to the company on top of the consultant's monthly salary. So they fired him—and he filed a lawsuit against the company for \$58,000 in lost pay. All of this was a huge financial hit to the fledgling, start-up company.

The Second Setback. The sales scam artist was just one of their worries. While the consultant was busy spending the company's money, Rodrigues was busy working to raise more. With sales supposedly being taken care of, he focused on the next steps they would need to grow the company. One of the things they needed was a bigger facility, one of their own. So Rodrigues went to the board of directors to ask for more funding. The lead investor, an executive at a multi-billion-dollar company, was anything but supportive.

"Our board at the time had no understanding of an entrepreneurial company," says Waldner. "All they looked at was whether or not we were profitable, and we weren't at that time because we were growing so much. The more you grow, the more money you need. Other people in the industry would tell us we were an unbelievable phenomenon—an amazing product with amazing growth—and then we would go back to our board and they would tell us we were failing and should shut down."

Responsible for about 50 percent of the original funding, the lead investor



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and his colleague, who was a banker, had two seats on the board. They wielded that power to their advantage—offering the company money, but on very onerous terms, says Rodrigues. Then the lead investor used the decrease in sales, which had resulted from sales consultant’s lack of product placement, as an excuse to lower the stock value. This made it so that if they did take the money, Waldner and Rodrigues would lose their majority stake in the company and their control of the board. If that happened, it would not be too long before the investor could take control of the company.

“Trust your instinct.

Most entrepreneurs are risking everything they have because they believe in something at a cellular level and that feeling is driven by instinct.”



The Setback that Could Make the Cracker Crumble. If all this was not overwhelming enough, one day Rodrigues got a call from his distributor, United Natural Foods International (UNFI), saying that they were about to send back \$250,000 worth of product. A few months earlier, their UNFI buyer had made a large purchase order, but then left the company. With all the new stores Rodrigues had been told the product was being sold in, moving that kind of inventory seemed doable. However, since the sales guy had actually only placed the product into a small fraction of the promised stores, this huge amount of inventory was still sitting in a UNFI warehouse with only a few months left until its sell-by date. Panicked and hoping they could get some help moving the product, Rodrigues put in a call to Jerry Schwartz, vice president at Natural Specialty, the brokerage company where their old UNFI rep who made the \$250,000 order was now working. Schwartz’s response to Rodrigues was, “Well, if these crackers are so great, why haven’t I ever heard of them? Send me some product and when I get back from traveling in a couple weeks I’ll try it and we’ll talk.”

“Those two weeks sounded like an eternity at that point,” Rodrigues remembers.

Then they got another call. One of their brokers was urging them to attend the SOHO Business Conference & Expo to promote their product. In debt and about ready to lose everything they had ever worked for in their lifetime, Rodrigues and Waldner told the broker they just could not go. But the broker persisted.

Rodrigues vividly remembers the next moment—the lowest moment in the history of the company—with tears welling up in his eyes. “At that point, Mary turned to me, mustering up all the courage she had, and asked, ‘What would

we do if we were doing well right now? We would go, right?’” So Waldner and Rodrigues used what was left of the credit on their American Express card to buy tickets to the show in Orlando, Florida.

“Mary later told me that on that flight, she was so down that she wanted to die,” says Rodrigues, choking back his tears again.

The trip to Florida saved the company. They ran into Schwartz at the show and he tried the product and loved it. He had their old rep take on the account and he was able to move all the product in less than two months. In addition, they won the court case with the sales consultant, whom the judge said, “acted in a less than forthright manner.” And what about their lead investor? Well, rather than accepting his money and terms, with some inheritance money and funding from other investors, Rodrigues was able to raise what they needed to move from the 7,500-square-foot co-packing facility to their own 54,000-square-foot facility. And, since their lead investor had devalued the company’s shares, Waldner and Rodrigues were able to use the money they had raised to invest in their own stock, regain control of the board and vote the investor off.

Insight No. 3: Know Exactly What You’re Getting Into and Don’t Forget to Follow Your Instincts

While it seemed like the worst was behind them, as Mary’s Gone Crackers continued to grow, again they reached a point where they needed more money. This time the funding came from a venture capital (VC) group. While the VC group seemed to have good intentions, after a short time Rodrigues realized they had their own agenda. So he sought out every piece of information he could find about VCs. In his research, he learned that many VCs follow a certain “recipe for

success.”

“Most VCs care about three things: capturing control of the board, getting equity cheaply and controlling the exit strategy,” Rodrigues warns. “There is not an action they take that does not move one of these goals forward.

“If they had gained control of the board, Mary’s Gone Crackers would be a different company today,” he continued. “Our original vision would have been compromised to fulfill their financial goals.”

In dealing with both their former lead investor and the VC group, Rodrigues was able to better protect his company by knowing the contracts backward and forward. “You need to fully and deeply understand every document you sign. If there is even one phrase in there you don’t understand, don’t sign it,” he says. “And trust your instincts. Most entrepreneurs are risking everything they have because they believe in something at a cellular level and that feeling is driven by instinct. Don’t forget to listen to those instincts. If you are about to sign something and it doesn’t feel right, walk away.”

Rodrigues says that by trusting his gut, and fully understanding VC strategy and the documents he signed, he and Waldner were able to maintain control of the board—and recently made some strategic moves of their own that will enable them to remove the VC representatives from the board. Today, Rodrigues and Waldner have put together a board that is truly supportive of their mission.

Slow Money. So what are the alternatives to VCs? Waldner is excited about an idea called the “slow money movement.” She explains, “It’s the idea that companies like ours can take their time and grow without the investors demanding their money back as fast as possible. When investors put their money in a VC firm, they expect

their money to grow at a certain level in a certain timeframe, which means the VC has to do to companies what they tried to do to us. The slow money model is much more of an open-ended and long-term investment. It’s a true partnership and a much more organic growing process.”

Insight No. 4: When You Are Pursuing Your Destiny, the Universe Will Conspire to Help You

Taken from the book “The Alchemist,” this insight could not be more evident than in the story of Mary’s Gone Crackers. Every time Waldner and Rodrigues faced a challenge, the universe would present a solution—sometimes in the form of other people helping them and other times providing them with the gut instinct to protect themselves and stay true to their mission.

“We’ve had people step in to help us who usually would not be working with a little company like ours,” Rodrigues observes. “I think the pioneers of the organic industry are drawn to us because they see what is missing in a lot of companies these days, the kind of passion that they had when starting their own companies 30 years ago.”

He adds, “Through all of this, we have believed that the universe will give you what you need. The energy surrounding this company is much bigger than us.” □

Kat Schuett is the editorial director of *Organic Processing Magazine*. You can reach her at kat@organicprocessing.com

Additional Insights

- **Continually look for ways to improve processes.** By watching videos of their product being made, Waldner noticed that often there was a lot of extra space between trays. She was able to work with employees to reduce the space between trays from 8 inches to 2-3 inches, allowing the company to increase production and maximize energy efficiency.
- **Encourage others to look for these opportunities as well.** By suggesting that they change from a 2-inch to 4-inch pipe, the company’s operations manager was able to help the company go from making 10 batches to more than 20 batches per week.
- **Empower your employees.** “If you want to grow, you have to give your employees a real sense of ownership of what they are doing and give them the opportunity to grow with you,” says Rodrigues. For example, he mentions an employee who started with the company at age 19 as a cracker sorter. Today, at just 21 years old, she is in charge of all the company’s organic, kosher and Costco inspections. “She has the same responsibilities as someone who is 10 years older and has a college degree—and she does a perfect job,” Rodrigues beams. He adds that at their first Costco inspection, the company scored 98 percent, whereas “most companies don’t even pass their first Costco inspection.”
- **Set up guidelines to ensure best practices.** The best example of this is Mary’s Gone Crackers’ accounts receivable policy. Many entrepreneurs have issues with slow payment, but Rodrigues says that they almost always receive payment within 18 days or less from the date of order. With UNFI, the average is 12 days. Rodrigues was able to achieve this by offering a 1 percent discount for accounts that are paid within 10 days of the product being received. He says this works because he sticks to it. “If someone pays in 11 days, they don’t get the discount,” Rodrigues states.