

Selling Wellness

An Interview with Michael A. Karsch,
 Founder and Portfolio Manager, KCM Consulting



A Juice Press storefront

EDITORS' NOTE Prior to founding KCM, Michael Karsch was a Managing Director at Soros Fund Management LLC. From 1995 to 1998, Karsch was one of four investment professionals at Chieftain Capital Management. From 1991 to 1993, he was an investment banking analyst in the Media and Entertainment Group at Wasserstein Perella & Co. Karsch graduated Phi Beta Kappa with a B.A. from Tufts University in 1990. He obtained his Master of Arts in law and diplomacy from Fletcher School of Law and Diplomacy in 1991. Karsch obtained his M.B.A. from Harvard Business School in 1995. KCM Consulting is evolving into a vehicle whereby Karsch conceives and considers investments in multiple projects and start-ups.



Michael A. Karsch

What was your vision behind starting KCM Consulting?

KCM Consulting was formed when I decided to close Karsch Capital Management. I was fortunate that the individual I reported to at Soros allowed me to work out of his offices and be an advisor to his family office. This is how KCM Consulting was founded.

KCM Consulting does not hold personal investments, but a number of people who are compensated at KCM Consulting are involved in a number of my interests.

In the hedge fund business, I had been on my own for 13 years and I found that being in a more mature stage of the lifecycle of a business wasn't as exciting to me as something more dynamic in that early stage. I liked the feeling of being creative and thinking about how to get past that bridge of a business plan or thought in terms of making something real.

When you look at what I have done outside of Karsch Capital, which was exclusively publicly listed equities, I have been fortunate to be part of a number of start-ups at some level, including Dunkin Donuts in Austin, Texas.

Would you touch on your work with the Juice Press venture?

Juice Press started with four stores and we're ending the year with 25, so it has been very successful.

It has been very exciting to be hands-on in building this brand. On a sales-per-square-foot basis, we generally have \$3,000 per square foot, and it's hard to find companies generating those kinds of sales.

Last year, we generated \$22 million in sales; this year, we'll generate \$35 million in sales; and our run rate exiting the year will be \$50 million in sales. If the economy in New York remains stable, \$100 million in sales in the New York area is possible.

We're looking at how we take this concept to several other cities and we're fortunate to be starting with a lot of international press.

Teaching an organization how to think more broadly gives us the confidence that this could be a 10-city opportunity.

The name "Juice Press" is limiting in terms of press, so the question is how to make it broader.

We're thinking about being a processed food free zone, meaning we carry nothing processed, and that is becoming our tagline. It gets people away from thinking of us as just a juice place. We're not just juice – we're liquids experts. Our salad dressings are fresher and have nothing processed in them. None of our competitors in New York can say that. Everything in our stores has a short shelf life because it's made fresh.

Our first foray into that was with probiotics and there were several reasons to get into that. We believe significantly in probiotics. People have caught onto them in the U.S., mostly through the Greek yogurt craze. The limitation on that is that dairy is not tolerable for a lot of people, and it costs extra.

Probiotics has also traditionally had a non-vegan base – it's originally from the human gut; the bacteria is from someone's mouth, and it's generally grown in some type of dairy product.

But from a food safety standpoint, even though we have served millions of bottles of juice, as a businessman serving unpasteurized product, I want to protect my customer and mitigate my risk, even though that risk exists elsewhere.

There is a tradition in Bulgaria of consuming a lot of Greek yogurt and I have a friend there whose family has been selling good

bacteria for 70 years. When I presented our issues to them, they proposed a vegan-based bacteria of theirs that they felt was promising.

This bacteria comes from a plant in the mountains and it grows best in juice, as opposed to needing dairy. They wanted us to test it to see which pathogens it kills. According to their work, it kills E. Coli, Salmonella, and Listeria.

We contacted Harvard and they agreed to test it themselves. The leading doctor in this field at Harvard Medical School took on the project, and we have the test results that show when you pour our probiotic into green juice with these pathogens, it wins the fight, which is very dramatic.

We sell this now in our stores and have it in several of our drinks.

Our goal is to put it into all of our juices, so it has double effect, and to make it so that people will come to our store and ask if we have a probiotic in something. We think we have a chance to change the whole industry.

Is the vision really all about wellness?

Yes, and in order to be about wellness, there is a lot that goes into it. I've appreciated how much social media has changed brands, because not only the consumer but now the media have the ability to scrutinize brands more closely and quickly.

If you define wellness beyond products, you need a number of elements, including great people in the stores. People want the human touch and they want to feel like you care about them beyond the product.

This also means being environmentally friendly – we're now able to compost all of the remaining fruits and veggies.

It's also about community. Every night, we give out about 500 bottles of juice to City Harvest, so we're showing people we care about those in need.

We're also learning about transparency, which is what people demand. They feel better when you explain your process.

We always have people telling us which products to carry so we have to be sure not to spread ourselves too thin by catering to all interests. We do want to own everything we make, and consume it ourselves. We have our own sports drink, for example. Even if people are learning to adopt our sports drink over Gatorade, I feel proud that we can be a good source for people for all of their needs. ●