



## Organic Probiotic Technology for a Sustainable Future

### Organic growth: SCD Probiotics finds new uses for helpful bacteria

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When SCD Probiotics CEO Matt Wood developed his first batches of bacteria while a soil science undergrad at the University of Missouri, he initially wasn't sure what to do with them.

Probiotics are organic microbial substances that have positive benefits for users. Yogurt, for example, has lactic acid bacteria that is considered a probiotic that aids digestion.

Wood, however, was looking beyond the dairy aisle and envisioned bacteria that could help farmers, industrialists and others needing solutions that don't rely on chemicals and their sometimes costly side effects. He considered creating a nonprofit research-oriented entity but eventually turned his research into a business.



"I just became a fanatic about the technology because I was driven by what I thought it could do for the world," he said.

Twelve years after starting SCD, Wood's Kansas City-based company has amassed 30 licensees for its products worldwide, serving not only agricultural and industrial interests but also those in veterinary science, pharmaceutical, waste treatment, home and garden, and environmental remediation.

It has grown to 17 local employees and numerous independent contractors overseas and almost tripled volume sales. Although not willing to give specific revenue numbers, Wood said sales have risen 140 percent since 2007.

In the spring, SCD completed a \$2 million round of angel financing that Wood said will provide cash for additional research, marketing and expanded production capability at its Kansas City manufacturing lab.

"For the past decade, we've been developing products, and most of our sales have been what I'd call pilot sales to test the market, figure out the business model," he said, adding that the market is so new it's sometimes difficult to determine pricing. "Now, we really have specific products for specific markets that are fully developed and registered in multiple countries around the world. We're really turning our focus from being a technology company to being a sales and marketing of technology (company)."

Wood said growth has come from a combination of finding new uses for probiotics and then finding key strategic partners in those industries that can resell SCD Probiotic's products on a retail basis to the final customer or

incorporate the technology into their products.

"I started with agriculture products because that was my academic background," he said. "Traveling to trade shows, attending conferences, we met people who had ideas or had interests and looked at those markets. ... We've actually shifted our focus many times over the years to go after the low-hanging fruit."

For example, California Recycles Inc., a Los Angeles-based environmental consultant, sells SCD's OdorAway product to its business clients. OdorAway can be sprayed onto garbage cans, large trash containers or other areas to take advantage of probiotics' ability to kill off or crowd out harmful bacteria that cause odors or disease.

California Recycles CEO Elham Ebiza said the company tested several products before recommending OdorAway to restaurants, shopping centers and garbage transfer stations in the L.A. area.

"There's no chemical in their product, and the ratio of success was higher," she said.

Ebiza said she expected sales to continue growing as more businesses take advantage of special rates Los Angeles city officials offer if businesses separate food waste from other garbage, a situation that causes severe odor and pest problems. She also supplies transfer stations, which gather garbage from multiple trucks and place it on tractor-trailers bound for remote landfills outside the city.

"They're very happy," she said, adding that other California cities are considering similar pilot projects for food waste. "This way, people get used to the process, and eventually, it will probably become the law everywhere."

Wood said that using licensees allows SCD to get deep penetration into a market quickly without having to develop a marketing and distribution system from scratch.

Although the company has done private-label deals, it generally negotiates to get some brand recognition on the final product packaging, he said.

Much of its early growth has been overseas, where the first research into probiotics was developed and, until recently, customers embraced their use more readily than in the United States.

"Around the world, people are looking for this type of green or natural technology, so a lot of people contact us over the Internet," Wood said. "I found very little interest coming from the United States, although that has drastically changed in the last two or three years. It seems like everyone is opening up to probiotics now."

For example, he pointed to the success of Shanghai-based China Biotics Inc., which in its most recent fiscal year reported \$81 million in revenue, a 50 percent increase.

Wood said SCD has attempted to differentiate itself by using technology to extend the liquid product's shelf life to three or four years.

Looking ahead, Wood said he wants to gain 100 licensees during the next four years and position the company for as much as 70 percent annual revenue growth, about double the current rate.

"While international has been a significant part of our growth, I see the United States also growing quite a bit in the next couple years," he said. "The growth we've seen, while good, it's very small compared to what we expect in the next two, three, four years."