

KOA ROOTS

# BOOTSTRAPPING IN THE PACIFIC NORTHWEST



# THE JOURNEY

## IDEATION & PLANNING

Finding a product that is cost effective, connects community and conveys an aloha spirit.

## FORMULATION & DESIGN

Recipe testing and brand development lead this team to some unexpected discoveries and realizations

## FUNDING

Committed to doing it on their own, this duo took on second jobs to save enough cash to launch with no debt.

## FOOD SCIENCE & LICENSING

Working with the ODA (Oregon Department of Agriculture) and FDA (Food and Drug Administration) for a labeling exemption and the science of shelf-stability.

## FARMERS MARKETS & RETAIL

Discovering the community and joy selling direct to customers.

## ROBERT & KRISTY'S TIPS & RESOURCES

Time savers, money savers and how to find the best mentors.



# IDEATION & PLANNING



**ROBERT BATULAYAN  
& KRISTY MOLLENA**

Co-Founders

Robert Batulayan and Kristy Mollena have infectious smiles and warm welcoming energy. They are the embodiment of aloha spirit, which is the guiding principle of Koa Roots, the company they co-founded in 2019.

What you might not get from their kind, patient and laid back demeanor is that they are some of the hardest working food entrepreneurs out there.

The two met at OSU (Oregon State University) connecting over their Hawaiian roots and a shared love for foods and flavors from their home state – she is from Moloka'i, he is from Kauai. Throughout college, they hosted events centered around food and were active community connectors.

Following graduation, the two OSU alumni began careers within the healthcare field, specifically in pharmacy. After a few promotions landed them in management positions, they realized something was missing. They were seeking a creative outlet, something that would give them purpose, bring them joy and allow them to connect with community.

They started talking about ways to add these things back into their lives and quickly honed in on their love of dinner parties and shared meals with friends and family. After a few conversations and a lot of Googling 'how to launch a food business' they began to hatch their plan.

They discovered a course offered at the PCC SBDC called 'Getting Your Recipe to Market' (GYRM) and immediately signed up. They started the class with an idea for alcohol infused gummies, but were quickly dissuaded from the idea when they discovered the complications of working with the OLCC (Oregon Liquor and Cannabis Commission). After scrapping that idea, they considered pralines, but as they dug deeper into ingredients and sourcing they realized that the numbers just didn't work out. Costs and labor were way too high to make the product in the way they wanted to.



One of the things that they feel has been so instrumental in launching their business is their location. "The community of food entrepreneurs and funded resources in Oregon has been incredible," says Batulayan. Through the GYRM program, they were connected with experts in costing, food science, commercial kitchens, fellow start-up-entrepreneurs, label compliance, graphic design and packaging.

After discovering that their first two ideas weren't viable, they started talking about what they liked to eat and serve when they hosted dinners at home. They landed on seafood boils, particularly the flavored dipping butters that they made to go along with those boils.

This pivot took them in a completely different direction and they began recipe testing.



# FORMULATION & DESIGN

Recipe testing can be really fun and Robert and Kristy dove right in. They started with savory flavors using ingredients such as Hawaiian sea salt, garlic, onion, lemongrass and kaffir lime leaf. Their goal was to translate the flavor and spirit of their dinner party seafood boils into a shelf-stable packaged product.

While working on the dairy based dipping butters, they spent a lot of time and energy considering friends and family who were lactose intolerant. With that in mind, their plan was to also design a line of vegan butters to complement their dairy counterparts. This proved to be challenging. While they were able to develop delicious oat based formulas, when they went to test them in a food lab, they discovered that their formulas had very high water activity levels. If a product has high water activity and low sugar levels (also known as Brix levels) the product is not able to be made shelf-stable without a lot of preservatives, which they didn't want to add.

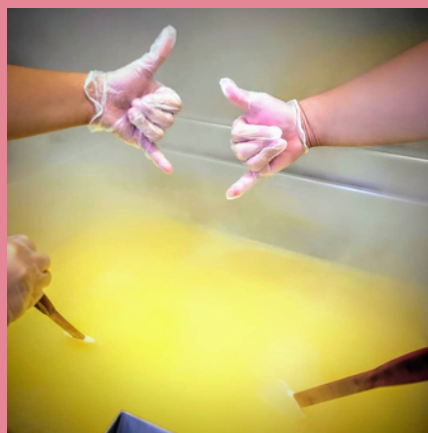
They began working with the ODA (Oregon Department of Agriculture) and the OSU FIC (Food Innovation Center) to determine whether there was a way to make the oat-based butters shelf-stable. They were also contracting with the FIC to do product testing and nutrition panels.

At the same time, they were introduced to a local dairy farmer and butter manufacturer by the ODA dairy representative and began additional recipe development for their non-vegan line.

During one of their recipe tests, Robert & Kristy discovered that if they smoked the herbs and salts before adding them into the dairy based butters and then browned the butter just a bit longer than usual, the flavor bloomed and developed into something deliciously nutty, smoky and unique.

While they were still developing recipes, the duo began working with a graphic designer and thinking about packaging. By this time, they had landed on the name Koa Roots. 'Koa' representing the largest indigenous tree of Hawaii whose wood is often used as a material to create canoes and voyage to new lands. And 'Roots' as a nod to foundation and origin. They selected a graphic designer and had an initial meeting to discuss ideas for their branding and labels.

Developing packaging and branding can be a very exciting part of the process. It makes all of the behind the scenes recipe and business development come to life. It has a way of making the entire business feel much more real and gives founders something tangible to share with the outside world. Like most ambitious entrepreneurs, Robert and Kristy were eager to see designs that brought their vision for Koa Roots to life.

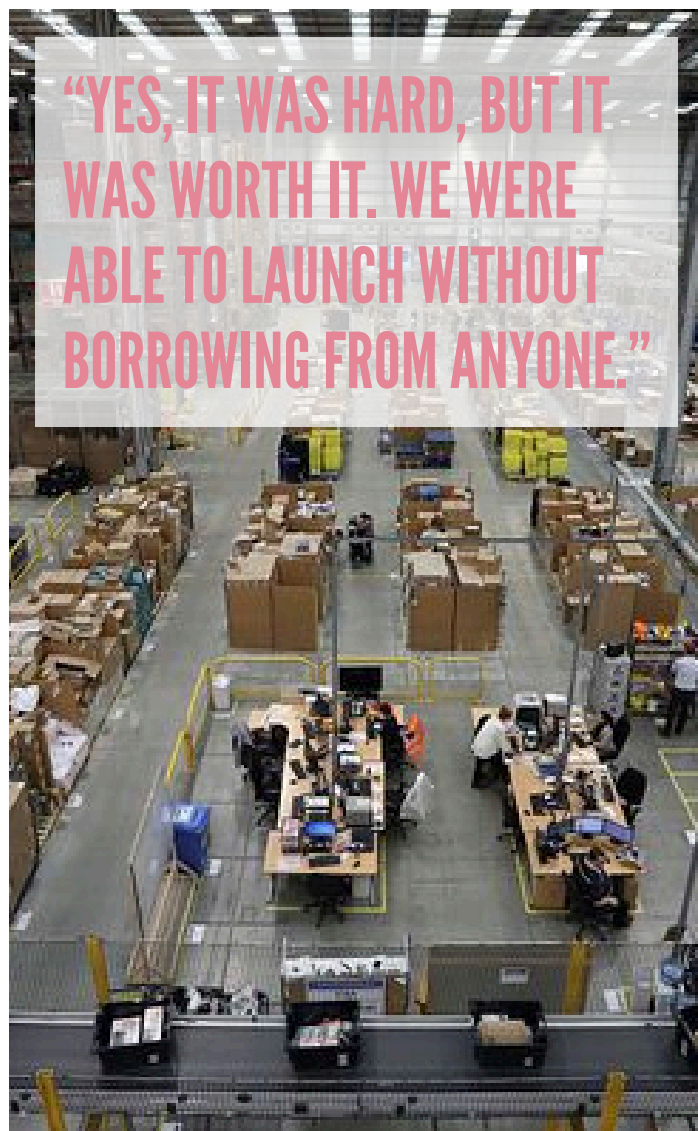




# FUNDING

If there is one thing that you take away from this story, it should be that there is no such thing as a tidy or linear food start-up story.

After a great first meeting with their graphic designer, Robert and Kristy received a contract and an estimate. They had asked the designer to design their logo and 8 labels, one for each of the products they were planning to launch (4 dairy based brown butters and 4 vegan brown butters). For businesses launching multiple products, or planning to launch a series of products in the future, its good to think about how they will work together on the shelf ahead of time. Working with your graphic designer to think about how a design translates across a series products is a sensible approach and can save a lot of future headaches.



The estimate included design costs and printing costs for the first set of labels (750 of each product, a total of 6,000 labels.) They chose this number out of necessity as that is where the printer offers the first volume price break. The total estimate for design and printing came in at \$8,000.

## \$8,000

Estimate for graphic design

## \$60,000

Savings Goal to Launch

This turned out to be a bit of a wake up call. “Here was this estimate for \$8,000 and that only included labels, we were going to need to pay for jars, a kitchen, licensing, ingredients, a website, and lots more before we could sell even one jar,” recalls Mollena. We knew that we didn’t want to go into debt and we didn’t want to borrow from family because we knew this could be a risky business,” says Batulayan.

They made the decision to take on second (and even third) jobs for a year to save up enough to launch. This meant that in addition to their jobs in Healthcare and Pharmaceuticals they took on jobs at a fulfillment center, packing boxes and doing inventory on nights and weekends; sometimes just catching quick naps in their car between jobs and shifts.

Did this take a toll? “Yes, it was hard,” says Mollena, “but it was worth it. We were able to launch without borrowing from anyone.” And, adds Batulayan, “We got to do it all together, which is what really made this possible.”

Their goal was to save \$60,000. After a year of working non-stop, they were able to save \$56,000 at which point they decided it was time to launch.

# FOOD SCIENCE & LICENSING

After a year of working, recipe testing, lab testing and sharing samples with friends and family, they had made some very important decisions. The first was to abandon the savory vegan dipping butters. They couldn't come up with a way to make them naturally shelf-stable and cost effective, so they decided to once again pivot and create a different product for their lactose sensitive customers.

In Hawaii, they had both grown up eating lots of incredible fruits such as guava and passion fruit, and in their new home in Portland, they had also encountered gorgeous local fruit such as marionberries and blueberries. They were determined to do something that honored both of these places and again brought that aloha spirit.

They took their learnings from the oat based brown butters and started recipe testing fruit butters. These spreads are popular in Hawaii and they quickly landed on a formula that was shelf-stable, brought together flavors from both of the places they call home (Hawaii and the Pacific Northwest) and shared the aloha spirit with their customers.

Of course, there was still one significant obstacle. In Hawaii these products are called fruit butters, but the ODA and FDA have a lot of rules and regulations around what can be called a butter. Typically butters are dairy based, so Koa Roots was within the guidelines for their smoked dairy butters, but for the fruit butters they were getting pushback.



This is the sort of moment in a food business where it's good to know what is most important to you and in which areas you are willing to compromise or not. In this case, calling all of their products butters was important to telling both their brand and origin story, so Robert and Kristy went back to the ODA and asked if there were any possibilities for exceptions to be made. Their ODA representative told them they could appeal, but would need evidence of other cases where an exception was made.

After lots of research, they submitted a 25 page report with specific examples of existing non-dairy products on shelves using the name butter (peanut butter, almond butter, apple butter, quince butter) as well as excerpts from the FDA's own guidelines on what a fruit butter is. They paired this with an explanation of why they believed this exception should be extended to Koa Roots. After some deliberation, the ODA granted Koa Roots a written exception allowing them to call all of their products butters.

Around the same time, they found a commercial kitchen and were licensed by the ODA to begin producing all of their butters. They regrouped with their graphic designer, finalized designs, acquired UPC barcodes and final nutrition panels. A year after the initial meeting with their graphic designer all 8 labels were sent to press!

# FARMERS MARKETS & RETAIL

One of the primary goals for Koa Roots had been to build community and share culture. Robert and Kristy kept this in mind as they put together their retail strategy.

At the end of 2019, they began visiting grocery stores and co-ops, dropping off samples and sales sheets and meeting with buyers. The first couple of months they got a lot of 'No's' but then in January 2020, they received their first 'Yes!'

As COVID began to close the world down and change how many people shopped, Robert and Kristy began to really think about the type of business they wanted to be and decided to focus more heavily on Farmers Markets. They were still pursuing retail accounts, but more carefully and choicefully finding places aligned with their values.

They started doing two Farmers Markets in the spring and quickly grew to ten markets by the fall. "For us it was really organic, we really wanted to do direct sales, not just retail. We also realized that we love the education piece and having money in our pockets at the end of the day," said Mollena with a smile.

Comparatively, it was extremely difficult to connect with customers on the retail shelf. Unless a customer walks in knowing your story, the only thing to differentiate you on the shelf is your label – and that is a lot to ask from even the most brilliantly designed label. Not to mention the fact that there is a 30-60 day period from when you drop off the product until when you are paid for the invoice.

**85%**  
direct to consumer sales



## FRIENDS AND FAMILY

The support of friends and family has been key to keeping up with production and sales and building community.

At the Farmers Market, they were able to begin to build the community they had been seeking while observing which products had the strongest year-round vs. seasonal sales and as a bonus they went home with cash in their pockets.



While Koa Roots has continued to add retail accounts including one of Oregon's largest independently owned grocery chain, 85% of their sales still come from Farmers Markets, Food Festivals and online direct to consumer sales.



# ROBERT & KRISTY'S TIPS & RESOURCES



## GO SLOW!

### Know When to Buy

Know what you need and be prepared for when you need it. We bulk buy butter during the summer months when cows are the most productive and prices are lower. We also pay close attention to farmers and climate and try to purchase fruit when it is most abundant. Freezing fresh product is one of our strategy for keeping costs down throughout the year.

### Tariffs & Shipping

Our jars are made of glass which can be expensive and is impacted by tariffs. When we can, we bulk buy, but there are times when we need containers and have been hit with incredible price fluctuations. Once we ordered a pallet of glass and when it arrived the price had increased by \$4 a case!

### Lean on Your Strengths

Robert is great at math and spreadsheets, but responding to customer emails is not his jam. Kristy is great with social media and promotions. As a result, early on they decided to divide up tasks: Robert handles all forecasting and Kristy answers all emails.

### Find A Good Partner

Running a food business is not for the faint of heart. We are lucky because we enjoy each others company and get a lot of joy connecting with customers and being together at markets. We learned early on to draw a line between our business and emotional decision making. We make business decisions based upon the health of the business not on individual emotions.

### Costing & Forecasting

Keeping on top of your COGs is key to success. Even though we don't currently use a distributor, we factored a 20% margin for distribution into our wholesale price and we've stuck with this. This is important not only because we might go into distribution some day, but also because those costs can be hidden when you are self distributing. Even direct to consumer sales online and at Farmers Markets have costs baked into them. Having that 20% distribution margin in our pockets has been one of the things that have helped get us to profitability so quickly.

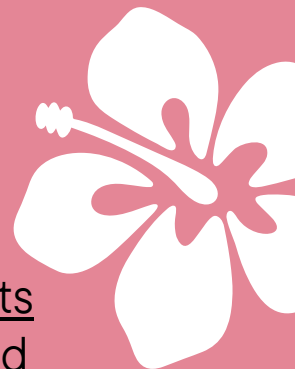
### Don't Pay for A Mentor

There are so many amazing resources out there and so many great mentorship opportunities. Unfortunately there are also a lot of predatory service providers. Don't be fooled into thinking you need to pay for a mentor or coach. Oregon in particular is a great incubator state and there are gobs of state funded resources available to entrepreneurs.

## RESOURCE CORNER

Some of the key organizations and resources that led to our success!

[GYRM](#)  
[Built Oregon](#)  
[Mercatus](#)  
[Hacienda](#)  
[Farmer's Markets](#)  
[Prosper Portland](#)



# ACKNOWLEDGEMENTS

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## PHOTO CREDITS

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