

A gluten-free investment

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Richmond-based private equity firm **Boxwood Capital Partners** has launched a new venture that hopes to corner a growing market—people with gluten allergies.

“Everybody seems to know some one who is gluten intolerant,” said Patrick Galleher, the managing director at Boxwood. “Gluten free and organic snacks are something people are very interested in, but not many retailers are serving them.”

Gluten is a type of protein found in wheat. Around one in 133 people are affected by the disease according to the Celiac Disease Foundation.

The new e-commerce business, **SnackWarehouse.com**, is part of the firm’s portfolio company eBeverage Wholesale. That company was formed when Boxwood acquired Texas-based Coffee Wholesale USA in August 2008. Coffee Wholesale specializes in selling coffee and tea online, as well as supplies for the office kitchen. Looking to expand upon that business, Galleher studied Google searches and found that pay-for-click ads tied to “gluten-free” and “celiac disease” were not being purchased in large numbers.

Galleher and his partners decided that is the direction they would take the expansion of eBeverage Wholesale. The products are kept at the company’s warehouse in Texas, and are handled by the same staff that puts together orders for the coffee business, Galleher said.

Some of the products include Pirate’s Booty puffed rice and corn snacks, Cliff Bars, Luna Bars and Blue Diamond nut products. Some products are available in bulk, while others are offered individually.

Galleher said they plan to initially market the new site to the existing 70,000 customers of the coffee business, buy the pay-for-click advertising on Google and promote directly to gluten-free associations.

According to a 2006 report by consumer goods research firm Packaged Facts, the market for gluten-free food and a beverage that year was around \$700 million and had grown more than 25 percent each year. Based on that rate of growth, the report projected that number would grow to \$1.7 billion by 2010. The study also said the number of people diagnosed with celiac disease could increase by tenfold over the next few years because of increased awareness and diagnosis.

Galleher said sales on the site have been slow to start, but he said the marketing push hasn’t started and that they haven’t told their existing coffee customers yet.

“We hope to do very well when the economy recovers,” said Galleher, “If our investment thesis is correct, when the economy recovers in the next three to five years we will do very well.”

Last month Boxwood acquired the Robious Sports & Fitness Club in Chesterfield County. Galleher said they may display some of the healthy snack foods available on SnackWarehouse.com at the health club.

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