BY DALE BUSS

Positive Pairings

How innovators large and small are coming together to create purpose-driven product development wins.

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Mondelēz International loves chocolate, what with its *Oreo*, *Cadbury*, *Milka*, *Toblerone,* and other brands all dependent on the enduring appeal of the sweet stuff. But it hadn't occurred to the snack giant to use chocolate to improve the appeal and bioavailability of vitamin supplements.

So when the folks at Mondelēz's SnackFutures venturing unit found out about the founders of Sourse, their fascination was immediate—and real. Jenne Moore and Andrew Remlinger had figured out how to infuse dark chocolate with vitamins, using plant-based sources to do so, and launched their company about a year ago. Earlier this year, SnackFutures invited them to become part of the initial cohort of its CoLab accelerator, where Sourse could teach the much larger company how it came up with a potential new product category—and where Mondelēz could nurture Sourse.

"The timing of CoLab couldn't have been better," Remlinger says. "We're growing extremely quickly, and it's just the two of us. Keeping up with growth in demand planning and supply chain optimization has been tough. Mondelēz's resources could be extremely impactful for us for our next stage of growth."

Food and beverage companies are facing pressure on a variety of fronts these days from shareholders, consumers, and employees. They need product innovations in an industry where development velocity is accelerating; they must make a priority of environmental sustainability; and there's an imperative to embrace "corporate purpose" that overarches all activities.

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"If we've learned anything in the food community, having purpose is where consumers are expecting food companies to do more—more than just in the item they buy," says Brigette Wolf, global head of the SnackFutures innovation unit for Mondelēz. "We have to go above and beyond because we have socially and eco-conscious consumers wanting to know more. And we need the emotional connections: The best brands have consumers join them in that way."

Incubators, accelerators, and other initiatives like CoLab help companies like Mondelēz effectively address each of these challenges. Conveniently, the startups they recruit often provide a triple play in that regard: Entrepreneurs have come up with an intriguing new product or twist on existing ones; they typically start with sustainability as one of their priorities; and they endemically manifest an orientation toward purpose that can easily be diluted in a large organization.

"Some large companies build inspiring corporate social responsibility goals, take what they do, and make sure they're coming out and delivering on making the world a better place," says Alan Reed, executive director of the Chicagoland Food & Beverage Network. "But from startups, we see that 'purpose-driven' is baked into what they do: sustainability, fair trade, and so on. It's not separate. Not a division. Not an overlay on top of what they do.

"Both are necessary. Startups are smaller and have less impact," Reed continues. "They lead the way and can show the world what can be done; they demonstrate what's possible. Big companies are making sure their larger and more impactful operations are getting better and better all the time. They're complementary."

The way CPG leaders evaluate potential partnerships is "quite rigorous," says Ken Harris, managing director of Cadent consultants and former chairman of Enjoy Life Foods, a "free-from" pioneer that Mondelēz International purchased in 2015. "They have to be captivated by something, whether it's a unique environmental thing, or an all-inclusive company with a social aspect, or a product that happens to taste incredibly good and has lots of legs for the future."

And because it's important to CPG companies that incubators and accelerators meet bottom-line as well as feel-good criteria, they don't always work out. Kraft Heinz's Springboard incubator, for example, folded within a couple of years of its launch in 2018.

Accelerating Innovation at Barilla

On the successful side of these new, "big-small" partnerships for product development, consider pasta maker Barilla. Under the auspices of it BLU1877 venture group, the company has been signing up startups for its fourth global accelerator, called Good Food Makers, which it launched in 2018. Each startup selected works with a custom-built, dedicated team of Barilla experts for eight weeks to create actionable solutions and implement them in real time, and each recipient receives a $10,000 grant.

"We invest in founders who share our vision of 'good for you and good for the planet,'" says Michela Petronio, vice president of BLU1877, "and we partner to create value up and down the supply chain. We're a 144-year-old company with a long-term vision of feeding people with sustainable products, so 'doing good' is part of our company mission."

For the first few years, Good Food Makers has focused heavily on cutting food waste, recycling, and "upcycling," in part with an eye on the potential to reduce "regrind," which is the hundreds of thousands of tons of pasta particles left over from manufacturing due to breakage, cracking, or trimming. One member of an early incubator

***Barilla's 10 partnerships** with startups have all added value, says venture group vice president, Michela Petronio.* Photo courtesy of Barilla

Credit: Photo courtesy of Elite Sweets

Keto-Friendly Doughnuts? Startup Shows How It's Done

If ever there were a holy grail of better-for-you versions of indulgent products, many Americans would shove aside sweet cereals and even ice cream if they could get their hands on a doughnut that promised to be good for them.

That's what Amir and Amin Bahari are counting on, anyway. While major food companies employ large teams of developers who might have found a path to "doughnuts that are good for you," it took a couple of recent college graduates with absolutely no food industry experience to come up with *Elite Donuts*, which are gluten-free, keto-friendly, offer 13 grams of protein, and provide only 5 grams of net carbs per three-ounce treat.

The Bahari brothers' accomplishment got them the offer of a slot in Mondelēz's first CoLab class. "In the interview, they said, 'Your product sounds good, but what can we do for you?'" Amir Bahari recalls. "We said, we want to build the brand further online, but in the background, we want to do more R&D and build retail distribution for 2022. We want to get our costs down and extend the shelf life of our product."

Sure, others introduced the first "healthy" doughnuts, but Elite Sweets' doughnuts represent the pinnacle of the genre, the brothers insist. One important formulation move was to use allulose as a sweetener.

"Another key is our moisture content," which relies on dairy products and three different types of eggs, Amir explains. "With high-protein products, or keto, the biggest thing is going to be texture, and we didn't sacrifice on it. *Elite Donuts* have a three-month ambient shelf life, and we're trying to get to nine months."

That would be *Twinkies* territory. And that worked out pretty well for Hostess.

cohort was ReGrained, the startup that has succeeded in upcycling spent brewers' grain into flour and snack puffs.

"Barilla became much more interested in the upcycling movement out of that exposure, and ultimately, out of that, they developed a significant strategy to focus on it," says Rusty Schwartz, chief executive officer of San Francisco food incubator KitchenTown, who advises Barilla in selecting companies for each Good Food Makers cohort.

Last year, Barilla focused more on startups that were presenting ways to cut food waste. That led it to reBLEND, a brand that salvages fruit and vegetable components that otherwise would go to waste to create "smoothie pops" that can be frozen and enjoyed.

"I'm reharvesting and rethinking the way that people source and consume food," says founder Kathryn Bernell, a former executive of McDonald's, Pop Chips, Panera, and Clif Bar.

Good Food Makers was a perfect partner, she says. "The Barilla team rolled up their sleeves and blew me away with their commitment and being active partners during our program." For example, she notes, "I had the opportunity to work with a cross-functional team, and one of them was a Barilla nutritionist. She looked at our formulations and said that we have several flavors that are great sources of certain vitamins and minerals, so why weren't we talking about that? She helped us understand how to communicate our formulas better." »»

***Working with Barilla experts** helped reBLEND refine the marketing messaging for its smoothie shots.*
Photo courtesy of reBLEND

Barilla corporate team members *have enthusiastically embraced the opportunity to partner with startups selected for the company's accelerator.* Photo courtesy of Barilla

Further, Bernell says, the BLU1877 team "worked with our brand managers to test our 'reasons to believe,' to work on lots of key parts of our story and helping to organize our narrative. This also shows up in our social media and packaging." Bernell used the $10,000 stipend to support testing on social media channels and in order to glean "further insights on what was driving traction and transactions, identifying photos and imagery, and partnering with the Barilla team to create experiments."

This year, Barilla cited the "circular economy" as one of the prime challenges it was hoping to address via its Good Food Makers selections (along with better food delivery, digital nutrition guides, and easy meal routines). Last year, Schwartz says, the list of challenges included regenerative agriculture and transparent supply chains.

With 500 to 600 applicants for just a handful of slots in this year's cohort, Barilla is "trying to keep this at a significant level" of importance for the company, Schwartz says. That effort is helped, Petronio says, by the fact that Barilla has "lots of people eager to participate" with the startups. "Internally we find the right teams who will be dedicated to supporting a startup and co-developing a pilot project together."

And for the company, Petronio stresses, "This isn't just about writing a check; it's about having something tangible come out of it" via "concrete pilot projects to solve challenges of mutual interest."

Collaboration at Mondelēz

Mondelēz runs one of the most successful innovation platforms in the CPG industry via SnackFutures,

Coming Together on Climate Change

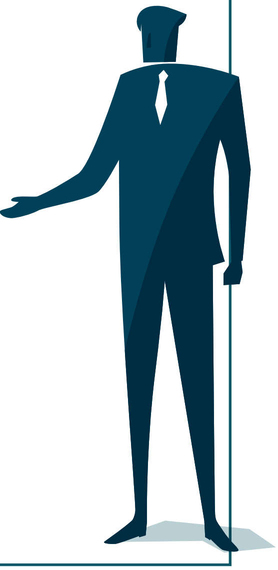
Food and beverage companies are forming all sorts of partnerships to advance their goals, and many of them have nothing to do with product development—or with startups per se. Take the recently announced linkup of PepsiCo and Ingredion with the Soil and Water Outcomes Fund.

They've agreed to advance farmer adoption of conservation practices that generate verifiable carbon reductions and water quality improvements. These include planting no-till and cover crops that tilt a farm field in the direction of carbon sequestration.

The companies will pay the fund, operated by a subsidiary of Quantified Ventures, to compensate farmers for up to $20 an acre per year to use such approaches diligently. The targeted farmers are in northeastern Illinois, many of whom sell corn to an Ingredion facility there, whose end products are purchased by PepsiCo.

"These companies are asking us to go engage farmers who are supplying them with inputs," says Mark Lambert, managing director of the fund. "They're already linked in the supply chain, so now we're bringing in the farmers directly. It's commoditizing the mitigation of climate change. It helps create a market where you can buy and sell [carbon offsets] and bring private capital to bear in solving the problem."

Ingredion likes the initiative "because we can put some inherent value into sustainability and know that we can pass that down to the growers we work with," says Andy Utterback, Ingredion's senior manager of corporate sustainability. "The other important part of this is that PepsiCo is a major global customer. It's a chance to work with them as well as to connect to growers and stores in collaborating to improve sustainable agriculture. It checks so many boxes that it made a lot of sense."



***Mondelēz's snack category** expertise has been a boon to the* NuSkool *brand creators.* Photo courtesy of NuSkool

which has invested in new brands internally as well as with minority stakes in startups such as Hu, a maker of better-for-you chocolate bars. In the spring, SnackFutures pivoted into true partnerships with startups, with the inauguration of CoLab.

Wolf says that with CoLab, Mondelēz "set out with an intentional call to action to ask applicants how they think about addressing well-being. We hope that these people will become not only classmates but also friends and a support system and resources to each other. They'll have interactions that we hope will create a community of experiences for them."

For Mondelēz, Wolf says, "the hope for CoLab was to broaden our aperture and become a pipeline" of ideas, products, business models, and propositions in which the worldwide snacking giant might consider investing more formally. "Each could fit, someday. They're all great snacks produced by the first cohort, with nice, complementary roles that could fit into our portfolio. There are great founders, and we believe in them. There's already a spark there."

The first CoLab cohort is nine companies that participate in a 12-week program, with a $20,000 grant thrown in. Each company selected was required to generate at least $500,000 in annual sales before consideration, "so that they're not just proof-of-concept companies," Wolf says. "Maybe they haven't learned all the fundamentals yet. CoLab can help give them the discipline and rigor to manage the business and their growth and the supply chain."

One member of CoLab, NuSkool, is a low-sugar snacking platform co-founded by Joe Christensen and Kevin Healy after seeing friends and family members struggle with obesity and heart disease. They came up with nutrition bars enriched by collagen and protein and are looking to expand the brand.

"We know Mondelēz has a lot of wherewithal for the best ways to assess white space, and to strategize where this white space is and where we can take NuSkool," Christensen says. "Plus they have an incredible portfolio of brands, and we know the direction they're heading and pushing toward."

A second company selected by Mondelēz for its first CoLab, Snacklins, provides a vegan take on pork rinds. The company's crisps, based on a blend of yucca, mushrooms, and onions, are "all about a simple ingredient panel," says co-founder Kevin Blesy. "We have three vegetable ingredients. We think this is compelling for the long term, considering where snacking might be headed. In the future, we want *Snacklins* to be in a $1.99 bag in the c-store."

Blesy and co-founder Samy Kobrosly are "looking forward to getting into the weeds with Mondelēz" in part because the industry giant can "help us think about what Snacklins can become in the next five, 10, or 15 years," Blesy says.

Snacklins' chiefs also were looking forward to joining "a community of startups" via CoLab, Blesy adds. "We can learn a lot from a network of small, fast-growing food companies. It's not a cutthroat world, but a supportive one. We're excited to sit around the table with eight other companies facing similar and different opportunities and challenges."

Sourse came up with its product innovation with the goal of making supplements more accessible and their ingredient sourcing more

***The Snacklins team** finds value in the supportive, noncompetitive Mondelēz CoLab community.* Photo courtesy of Snacklins

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Get the latest Sci Dish at **ift.org/scidish** sustainable. "My background is in clean tech and renewable energy," Remlinger says. "That's how I got interested in food's impact on the planet. So we think about sustainability in terms of plant-based clean ingredients and how companies source ingredients."

For instance, some of the components of Sourse products are "difficult to source ethically," Remlinger says. "We want to make sure we're working with farmers that are practicing sustainability, and paying sustainable wages."

While baking Sourse's purpose into the product, so to speak, the product itself fascinated Mondelēz. Moore and Remlinger figured out that sublingual absorption, as occurs with chocolate, is a key to the bioavailability of vitamins. The company hired a food formulator to come up with other ways to deliver nutrients via its candies.

But Sourse needed help gearing up for demand, and that's one part of the appeal of CoLab. For example, Moore says, Mondelēz will be a valuable resource "because of their experience with omnichannel [distribution] and to help us with operational challenges and with distribution, timing, and partnerships we want to pursue."

Finding the Right Fit

Unfortunately, one of the major challenges some startups face in partnerships for good is figuring out whether a particular relationship is good for their company. "Having a CPG-sponsored venture arm or private equity arm investing in small, challenger brands can be very successful" for the smaller companies, Harris says. "The dynamic is no different than if you were to sell a company to a private equity firm or to a strategic buyer. You need to figure out if the fit is everything in what they're offering you as an entrepreneur and your long-range plans.

"But if there are difficulties in the early days, it's like a bad marriage: It's not going to get better if it starts out bad," Harris says. "So entrepreneurs are well-advised to find companies that fit the criteria they're looking for. It's really on the entrepreneur not to be so focused on revenues or the investment side of the equation that they compromise their ideals. And I've been there in the first person, so I don't take it lightly."

Kraft Heinz ended up souring on the entire idea of its Springboard incubator. The company launched Springboard to great acclaim in early 2018, dedicating it to accelerating and scaling both new internal brands and outside startups around "growth pillars" such as natural and organic, and health and performance. Springboard's cohorts got 16 weeks of attention from Kraft Heinz as well as stipends of at least $50,000.

Blake Sorensen was part of Springboard's first cohort, and he "got a ton of benefits" for his startup, Blake's Seed Based, which makes snack and protein bars and began life as an e-commerce brand only. "They helped me understand distribution and the margins you need for mass scale. And they had such good relationships with retailers that we got a lot of introductions and got right in front of buyers that we wouldn't have gotten in front of without [Springboard]."

Being included *as part of the CoLab class came at the right time for Sourse—just as the company was facing the market pressures of scaling up.* Photo courtesy of Sourse

But ultimately, Sorensen and other observers say, Kraft Heinz was unable to get out of its own way with Springboard. Springboard reportedly got bogged down in revolving-door management and the fact that Kraft Heinz overemphasized immediate advantages for itself, including evaluating the companies as candidates for investment, rather than nurturing startups and supplying what they needed. CEO Miguel Patricio, who succeeded Bernardo Hees as Kraft Heinz chief in mid-2019, reportedly made the decision to shutter Springboard. Kraft Heinz representatives didn't respond to requests for comment from *Food Technology*.

"Kraft has brands everyone knows and budgets and teams that are at such a different scale that we run a different playbook," Sorensen says. "Ultimately, it's a different skill set to build a company from the ground up. And if you're just in large CPG brands and never have been involved in a startup—they didn't know what this model looks like. There were good intentions all around. It's just different expertise." **FT**

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