

BY MARY ELLEN KUHN



Small Food Comes of Age

Enterprising entrepreneurs are carving out niches as aging megabrands lose momentum in the marketplace. Here's a look at some rising stars who are challenging the status quo and the reasons why their timing couldn't be better.

In an era in which Big Food is eyed with suspicion by an evolving breed of savvy, sometimes cynical consumers looking to eat more transparently, healthfully, and naturally, the opportunities for small start-up ventures have never been greater. It's not an exaggeration to call this the age of the entrepreneur. A broad array of resources—ranging from shared kitchens to food incubators to business accelerators—is available to support entrepreneurs, and venture capital is flowing freely in the direction of start-up companies with bright ideas and viable business plans. Since 2012, private consumer packaged goods companies have raised more than \$8 billion from investors, according to data from research and strategy firm CB Insights (Caldbeck 2017).

“There's so much activity. There's such a rapid evolution in the food industry in terms of technology, in terms of brands. There's never been a more exciting time,” says Lou Cooperhouse, executive director of the Rutgers Food Innovation Center, an incubator for food start-ups. A recent list of culinary incubators and accelerators includes nearly three dozen such operations scattered across the country (Lenhardt 2017). Certainly, Big Food has jumped on the Small Food bandwagon. Every week seems to bring news of another major food company unveiling a competition for start-ups or setting up a venture arm to invest in small companies with big potential.

Financing a fledgling food company with someone else's money is much easier than it was a decade or so ago, says Dan Staackmann, founder and CEO of Upton's Naturals, a fast-growing maker of vegan meat substitutes that has been in business since 2005. “At this point, [potential investors] have been coming out of the

woodwork,” says Staackmann. “We get one or two a week, calling or emailing. Everybody wants to know: are you looking for money?” At the Natural Products Expo this past spring, “we probably had 40 people trying to get our attention, looking for the next [big] thing,” he adds.

Three or four years ago it was rare to find a venture capital fund dedicated to food, but that has changed, says Erin Lenhardt, founder and CEO of The Food Mint, a consulting company for start-ups. “More and more people are approaching us to say [they] started a food-specific venture capital fund,” she notes.

“Now all of a sudden, we're seeing investors that are investing in the food industry in a major way like we've never seen before,” Cooperhouse agrees. “The venture community and the corporate venture community are both paying a lot of attention to food entrepreneurship.”

Good for You in the Driver's Seat

Driven by consumer interest, the lion's share of entrepreneurial activity is focused on good-for-you premium products. Lenny Lebovich, who two years ago founded PRE Brands to bring a line of grass-fed meat products to market, likes to call it “food 2.0,” which he describes as “next generation” products and brands targeted to consumers who care deeply about what they're putting into their bodies.

Lenhardt, who cofounded a start-up called Norm's Farms that markets a variety of elderberry products, said she was drawn to the business because of her interest in eating more healthfully. “Good food is becoming an incredible trend,” she says. “Conditions are right for venture capitalists to make money in this space.”

Venture capital firm Obvious Ventures, for example, has identified healthy living as one of three focus areas, and within that framework, it has invested in plant-based food companies such as Beyond Meat and Miyoko's Kitchen. “In the last 50 years, industrial Big Food has created success by optimizing for shelf life, by adding salt and sugar and preservatives,” says Obvious Ventures cofounder and managing director Vishal Vasisht. “We believe that the next 50 years is going to

IFT's IFTNEXT initiative is a heightened, purpose-driven commitment to bringing provocative ideas and discoveries together to inspire thoughtful, important conversations that challenge conventional approaches with the goal of informing global issues related to the science of food.



Members of the first class of entrepreneurs to take part in the Chobani Food Incubator pose with Chobani founder Hamdi Ulukaya (center in blue shirt). The incubator provides each chosen participant with a \$25,000 equity-free investment in his or her business plus months of mentoring. Photo courtesy of Chobani

be a transformation from that kind of an approach to an approach which optimizes for nutrition.”

An incubator program introduced last year by yogurt maker Chobani is dedicated to helping start-ups that share Chobani’s vision of DNNA (delicious, nutritious, natural, and accessible) food. The Chobani incubator program offers a \$25,000 no-strings-attached (i.e., equity-free) grant and a comprehensive curriculum that covers sales, marketing, finance, and operations.

Navigating the Path to Success

Even with a growing network of resources available to support food start-ups, the path to successful entrepreneurship is not an easy one. Just getting chosen to participate in an incubator or accelerator program can be intensely competitive. Chobani’s food incubator program drew 450 applicants for the six spots in last year’s class, and this year, there were more than 500 applicants for the program.

According to the U.S. Small Business Administration (2016), only

about half of small businesses survive 10 years or longer, and other sources put the failure rate even higher. “It’s really hard,” says Lenhardt, who started her elderberry business in 2011 and operates it along with her consultancy. “A lot of entrepreneurs get started from a place of passion,” she notes. “It’s not enough. ... At the core of it, the biggest problem is finding product market fit—which means you have to build a product that the market wants.”

Cooperhouse of the Rutgers incubator has a similar perspective. “First of all, you need to have a great idea,” he emphasizes. “You need to make something that is consumer-driven, value-added, and differentiated ... distinctive.” From there, an entrepreneur needs to have proof of concept, which is supporting evidence that the concept and business model are sound, as well as a plan to successfully scale up the business. Without all of the preceding in place, a company is unlikely to attract significant investment.

“You have to have a path for an investor to get a return. If you don’t

have that path, you’re not going to get a lot of meetings,” said Andy Whitman, managing partner with packaged goods investment firm 2x Consumer Products Growth Partners, who spoke this spring at the Good Foods Conference and a Specialty Foods Assoc. (SFA) event in Chicago. For Whitman, the two key indicators of a company’s potential are gross margins and velocity (i.e., how products are moving at retail). The latter is more important than distribution, he said, because even with decent distribution, weak sales don’t bode well for business success. And without strong margins, a company won’t have the cash to reinvest in the business, Whitman said at the SFA event.

Entrepreneurs also need to think carefully about what they want from an investor, Whitman said, noting that in some cases an investor will expect to be involved as a business advisor, and if the entrepreneur isn’t looking for that level of involvement, it won’t be a good fit. Speaking at the Good Food Conference, he noted that start-up owners need to read the fine print before signing on to

a deal that cedes eventual acquisition rights or an overly large share of ownership. “For a couple of million dollars, they shouldn’t have a path to ownership,” he stressed.

Luke Saunders, who founded prepared salad company Farmer’s Fridge in 2013, has been through several funding rounds, and this spring, he exchanged some company equity for a \$10 million influx of capital from Danone Ventures and investment firm Cleveland Avenue. “We’re venture-backed, which makes sense for our business,” says Saunders. But he too advised entrepreneurs to proceed carefully as they seek funding sources. “I always tell anyone who asks that the first thing you should do is spend all of your own money. You really want to get your business far enough along that it’s investable. . . . If it’s not clear that your product is actually going to work in the marketplace, you can certainly get money, but it’s usually very expensive money. In other words, they want to buy a lot of your company for not a lot of money.”

On the other hand, it’s not uncommon in the current entrepreneur-friendly environment for a giant food company to make a major investment to scoop up a small food or

beverage brand. Hormel Foods spent \$286 million to acquire natural and organic nut butter company Justin’s last year, and Unilever acquired specialty condiment company Sir Kensington this spring. “Companies like Kraft Heinz or Unilever, they really struggle with innovation . . . to create and bring new products to market in the way that a start-up can do, so their strategy really is to acquire them,” says Lenhardt. “And they’re willing to pay a lot of money to participate in the clean ingredients, better-for-you food space.”

Another indicator of the strength of the entrepreneurial movement may be the quality of the employees it is attracting. Lebovich says he’s been pleasantly surprised at how easy it’s been to bring smart young talent into the fold at Chicago-based PRE Brands. “There are all these huge CPG companies in Chicago,” he says. “Those CPG companies are chock full of Millennials . . . who are, I think, a bit disenchanted with what they do, the companies they work for, and the products they represent. I have interviewed over the past couple of years certainly hundreds of people, and a common theme is, ‘I want to do something that agrees with me not just financially but also emotionally.’”

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“I think entrepreneurship is a pretty sexy career these days,” says Lenhardt. “There’s a strong labor force looking to get involved in start-ups.” At Farmer’s Fridge, staff members have degrees from prestigious universities like Northwestern and MIT, and Saunders himself is a graduate of elite Washington University in St. Louis.

Where the Market Is Headed

It’s clear that small companies will continue to play an ever-bigger role in the food industry. Small manufacturers now account for 19% of food and beverage dollar sales, an increase of two percentage points over five years ago, which represents about \$2 billion in sales volume, according to recently released Nielsen data (Nielsen 2017). And small companies are driving more than half (53%) of the sales growth, according to Nielsen. It’s clear who is losing ground. Over the same time frame, the largest manufacturers’ share of sales declined from one-third of the market to 31%, Nielsen reports.

Let’s take a look at five young entrepreneurs whose companies are contributing to these shifting market dynamics. Their approaches to market, decisions about funding, educational backgrounds, and business philosophies vary, but they have some commonalities—commitment, persistence, the willingness to ask questions, and of course, big ideas.

IFTNEXT Competition Will Challenge Entrepreneurs

Calling all food science and technology entrepreneurs with big, bold ideas. A brand-new competition, the IFTNEXT Food Disruption Challenge, will officially open on January 8, 2018, offering early stage entrepreneurs the chance to win a \$20,000 prize at the IFT18 annual event in Chicago next July.

The challenge was developed because there is a need to engage passionate, creative, and future-thinking individuals who can provoke and disrupt global innovation in the science of food and its related fields, explains IFTNEXT Food Disruption Challenge project director Jagruti Bhikha.

The deadline for submitting applications is February 16, 2018. Judges will narrow the pool of entrants to a group of 25, each of whom will be invited to make a five-minute pitch presentation to a group of judges. Eight finalists will be chosen from that group and will enter a six-week mentoring program, preparing them for the final pitch presentation before a panel of judges and a live audience. Winners, including a Judge’s Choice winner and a People’s Choice winner, will be announced on-site at the annual event.

For more information on the IFTNEXT Food Disruption Challenge, visit ift.org/fooddisruption.

Luke Saunders's Story of Salads, Supply Chains, and Smart Fridges

Selling salads in jars from vending machines wasn't necessarily what Farmer's Fridge founder and CEO Luke Saunders had in mind when he first started thinking about making healthy food more accessible. It was several years ago, and Saunders, now 31, was working in commercial sales, logging 1,000-plus miles a week driving from one industrial setting to another. He discovered that it wasn't easy to find something healthy to eat while he was on the road. His travels took him to some large food manufacturing facilities, and Saunders started wondering why the principles of processed food production couldn't be applied to fresh food.

"During my time as a traveling salesman, I realized there was a supply chain issue of getting fresh product from the place where you make it to the consumer fast enough to keep it at a quality level that consumers will

actually pay for," says Saunders. "Once I had identified that as the issue, I essentially worked backward from there to determine how we're going to sell that product. And that's where the idea for the fridge was born. It was never about I'm going to start a vending machine salad company."

Nonetheless, that's exactly what Saunders wound up doing, installing the first Farmer's Fridge unit in a food court late in 2013. The company now operates about 75 salad-dispensing vending machines in Chicago office buildings, hospitals, and even O'Hare International Airport and has a staff of 65 people. Expansion into the Milwaukee market is imminent thanks to a recent successful financing round. The company produces the salads fresh daily in a commissary in Chicago and delivers them in refrigerated vans every weekday morning. Each refrigerated unit or "fridge" is stocked with a



Four years into his fresh salad venture, Farmer's Fridge founder Luke Saunders says he would do it all again despite the many 12- to 16-hour workdays that are required. Photo courtesy of Farmer's Fridge

selection of salads in recyclable jars as well as an assortment of taste-tempting side offerings. Most salads are priced at about \$8 and can be ordered via an attractive touchscreen. A recently unveiled app allows salad lovers to check the inventory in nearby fridges if a favorite salad isn't available at their first stop.

Profitably operating a refrigerated distribution network wouldn't be possible without the sophisticated cloud-based platform the Farmer's Fridge team, led by technology head Raj Karmani, has put in place. "The way that the process works," Saunders says, "is every day, the fridge actually sends a report to the kitchen: here's exactly what I need for tomorrow. It's based on a predictive algorithm that is monitoring sales data and weather and purchase patterns. We make that food to order. We pre-kit it and load it up for the drivers, who then take it to the fridges, and they physically load it [into the vending unit]. And then they have to physically reconcile that with the



Farmer's Fridge salads are more culinarily sophisticated than they were when the company was first established. Photo courtesy of Farmer's Fridge



It took five different iterations to arrive at the current sleek and contemporary-looking design for the Farmer's Fridge vending machine. Photo courtesy of Farmer's Fridge

inventory at the local level—at the fridge. And then all of that gets synced with the cloud-based portion of our platform so that we can do things like [monitor] inventory in real time.”

Saunders estimates that 80% of Farmer's Fridge salads are sold within 24 hours of preparation; anything that doesn't sell within a 48-hour window is brought back to the commissary and donated although the salads are safe to eat for four to five days from the time they are prepared.

The company adheres to strict cold-chain standards and food safety protocols. “We actually have a PhD food scientist with a background in large CPG companies [on staff],” says Saunders. “He did his PhD thesis on microbe growth in cut

lettuce and spinach.” The Farmer's Fridge software has been designed to ensure that food “auto expires” and cannot be dispensed from a fridge once it reaches that expiration date. Each fridge has a slot where salad purchasers can deposit the salad jars for recycling although many customers elect to keep and reuse them.

A commitment to avoiding food waste has always been part of Saunders's vision for Farmer's Fridge. He and Karmani first teamed up several years ago when Karmani's entrepreneurial venture, Zero Percent, began handling the donation of leftover salads for Farmer's Fridge. Zero Percent uses an app Karmani created to help restaurants and supermarkets arrange for efficient pickup and distribution of food that would otherwise be wasted.

The Farmer's Fridge salad menu has evolved over time. A year or two into the business, Saunders surveyed his customers to get some feedback on the salad

ENTREPRENEUR TALK: Luke Saunders

Essential Entrepreneurial Skill: “You’ve got to be able to articulate the vision of the company to key audiences ... what it is you’re trying to do, what the impact or economic value of that is, and what you need from your employees or investors ... in order to get there.”

Surprising Realization: “Overall, my biggest surprise was how complicated the business would have to be—how many people we would need to get to critical mass to actually make this really successful.”

Given the Chance for a Do Over: “I would have given myself more time to really plan at the beginning and not be in such a rush to launch. (He did it in about six months.) I just didn’t realize that once you go from the planning/prelaunch stage to the launch, your time completely flips. So instead of spending 80% to 90% of my time thinking about the business, I was spending 80% to 90% of the time working on the business. And it’s been a steady process since that point in time to get more and more time freed up to go back to thinking about the business.”

assortment. “We found that with the menu I had designed, we had a high satisfaction rate—80% to 90% of the customers loved Farmer’s Fridge, [but] only 40% or 50% actually liked the food. They liked the brand and what we stood for, but they weren’t really

thrilled about what they were eating,” he says with a laugh.

“So, I went out and hired a culinary person, and we spent the next two years learning what that meant in terms of product innovation, refining the existing menu,” Saunders continues. “And about a

year ago, when we did a survey, we were at 90-plus percent in terms of people liking the food.”

The menu currently includes salad varieties such as *Strawberry Rhubarb*, *Crunchy Thai With Coconut Chicken*, and *Shrimp & Succotash*. Sides like *Pineapple Coconut Chia Pudding* and a *Chocolate Trail Mix* that features dark chocolate, roasted cashews, almonds, and dried cherries are offered as well. More new salads are in the works, and Farmer’s Fridge is committed to delivering assortments optimized to meet the needs of customers at each fridge location.

Saunders doesn’t disclose Farmer’s Fridge sales, but he says the company is profitable. Thanks to the recent investment round, Farmer’s Fridge is solidly in growth mode.

“We definitely have aspirations to be a national and international brand,” says Saunders. “We have doubled the size of the business in the last six months, and we plan to do that again in the next six.” Clearly, this cold-chain business looks pretty hot.

Shireen Yates: Sensing a Market Opportunity

Is the market ready for a sophisticated but expensive portable test kit for consumers with gluten allergies? Shireen Yates and Scott Sundvor, the founders of San Francisco-based start-up Nima Labs are betting that the answer to that question is yes.

Yates, 33, and Sundvor, 26, met at MIT, where Yates was pursuing her MBA and Sundvor was studying engineering. Both suffered from food allergies and sensitivities and were intrigued by the idea of trying to build a company that would address the digestive challenges that plagued them. “We wanted to make a sensor that is focused on consumer use,” says Yates.

They devoted a year to researching the market potential for such a device and concluded that it



Nima cofounders Shireen Yates and Scott Sundvor met at MIT. Yates was pursuing her MBA, and Sundvor was studying engineering. Photo courtesy of Nima



Nima bills its gluten-sensing device as a way for those with gluten allergies to stay stress-free and gluten-free.
Photo courtesy of Nima

The system is pricey—\$279 for a starter kit that includes three test capsules, but a close-up look at the proprietary science and engineering technology that went into developing it helps to explain the price point. The system is built around a pair of highly specific and sensitive gluten-detecting antibodies developed by the Nima team. Each Nima capsule includes a test strip preloaded with the antibodies. When gluten is detected in food that the test kit user inserts into the capsule, antibodies on the strip bind to the gluten proteins and deliver a signal change on the strip. A sensor detects that signal and delivers the results in a consumer-friendly way; a wheat symbol appears if gluten has been detected, and a smiley face means that the food sample contains less than 20 ppm gluten. It all happens in about three minutes or less.

The company has also developed a Nima app that allows users to share their test results, thus contributing to a database of restaurants and packaged foods and allowing those with gluten allergies to make more informed choices about where they dine out or the foods they purchase. “We really encourage our users to share their experiences,” says Yates. She adds that data from the app show that about 30% of foods labeled gluten-free test positive for gluten.

Before starting Nima, Yates worked in sales and marketing at Google, and she says the experience she gained there has been invaluable for her entrepreneurial journey. “It really taught me to think big and how to align yourself with people that are smarter than you,” she observes.

The Nima team is continuing to think big. A sensor for peanut allergens will be available later this year followed by tests for milk, tree nuts, and other allergens. Yates envisions a future where Nima devices can test for just about anything, including sugar and salt. “We want to get to the point where whatever you care about, we can give you that information in the palm of your hand,” she says.

was a viable concept. “It was a personal motivation to start with,” says Yates, “but we did a lot of research [to determine] if this is something that people are willing to pay for.”

After winning the audience choice award at the MIT \$100K Accelerate Competition in 2013, the fledgling entrepreneurs relocated to San Francisco to raise venture money and launch the company. Working with a team of engineers, they spent two years developing the technology and

began selling the test kit directly from their website about a year ago. Nima has raised \$14 million to date, primarily from venture capital groups, but the company has also received funding from the National Institutes of Health, Yates says. The device has received some high-profile recognition: *Time* magazine categorized it as among the Best Inventions of 2015, and *Popular Science* included it on a list of Most Important Health Innovations of 2016.

ENTREPRENEUR TALK: Shireen Yates

Essential Entrepreneurial Skills: “Resilience and flexibility—the resilience to be able to get back up when you get knocked down because you *will* get knocked down and flexibility because things aren’t going to go as planned.”

Surprising Realization: “I was really surprised by how many people are willing to go out of their way to help you.” Yates says she’s discovered a strong, unspoken bond among entrepreneurs and has found that they often are willing to share their time and what they’ve learned.

Given the Chance for a Do Over: “Maybe [I would] have articulated our culture earlier on.”

How Lenny Lebovich Is Disrupting the Beef Business

PRE Brands founder and CEO Lenny Lebovich, 43, is passionate about his company's 100% grass-fed beef imported from New Zealand and Australia. But that passion is tempered by pragmatism. Unlike some entrepreneurs, he didn't go into business as a starry-eyed idealist with little or no knowledge about what it takes to create a winning consumer packaged goods brand. Just the opposite. After graduating from Indiana University's highly regarded Kelley School of Business and beginning his career as an investment banker on Wall Street,

Lebovich spent some time working in the commodity beef business. So, when he was inspired to introduce U.S. consumers to high-quality steaks, ground beef, and specialty beef cuts after enjoying an amazing ribeye steak in Australia several years ago, he had a pretty good idea of what to expect. »»



Many of today's evolving consumers are willing to sacrifice in other areas in order to feed their families well, says PRE Brands founder Lenny Lebovich. Photo courtesy of PRE Brands



Brightly colored cardboard backing coupled with dual-view, vacuum-sealed plastic allows consumers to get a good look at the PRE beef product. Photo courtesy of PRE Brands

Still, he says, there were some surprises along the way.

For one thing, getting distribution was even tougher than anticipated. “It’s been challenging to get this into stores,” says Lebovich, “because I think the people in the category aren’t used to what we do and how we do it. But the customers that dip their toes in the water and give us a try universally have expanded us.” PRE, which is based in Chicago, supplies retailers with display fixtures to showcase its premium-priced, vacuum-packaged beef products, and its merchandisers

visit stores frequently to conduct product demos and provide merchandising assistance.

Despite the distribution challenges, sales have taken off since the brand’s February 2015 launch and continue to build. “As we have more and more success, I think our sales conversations [with retailers] become easier,” Lebovich observes. “We were the No. 1 fastest-growing company in the beef category last year. . . . We grew about 460%.” The company’s products are available in chains including the Mariano’s division of Kroger, Giant

Eagle, BJ’s Wholesale Club, Heinen’s, Meijer, and the Shaw’s/Star Market division of Albertson’s, among others, as well as through Amazon Fresh, Jet.com, and Peapod.

Although PRE’s value-added products appeal to the kinds of consumers who shop in the natural products and specialty channels, Lebovich and his executive team opted not to go that route, focusing instead on mainstream retailers. “We chose to go after where we thought the majority of consumers would be, and we chose to go where we thought we could deliver a more attractive price to a larger part of the market,” he says.

Even at mainstream retail, PRE products are priced 50% to 100%-plus over commodity beef. “What we’ve learned is that we over-index like crazy with the most valuable shoppers walking into the store,” Lebovich says. “Our shopping baskets are multiple times the size of the average shopping basket. The consumers that buy us tend to buy other premium products that tend to be pretty high-margin for retailers.”

According to Lebovich, beef sales typically represent 5%–7% of a retailer’s total sales, and all animal protein combined often approaches 20%, so it’s a critically important category. What’s more, he continues, “It [the meat department] is often the reason that a consumer chooses one retailer over another—their perception on perishables, but particularly meats. So, if you’re going to try to change what you are in the consumer’s mind as a retailer—and I think everybody in retail today is trying to figure out what their future looks like—perishables is where you most need to do it. And meat is a really great place to start. And we represent kind of a game changer in that category.”

Lebovich is confident that the brand’s early successes will breed more of the same. “We have more and more data, and as we’re viewed as a go-to solution as opposed to a risky new idea in the industry, I think that maybe we [will] reach a tipping point and we can accelerate further.”

ENTREPRENEUR TALK: Lenny Lebovich

Essential Entrepreneurial Skill: “I’d say that a core competency of a start-up has to be solving problems and solving the right problems and solving them well and solving them quickly.”

Secret to Success: “The harder, the problem you solve, the more valuable the business you’re probably creating.”

One Hard Truth: “I understood a lot about this industry, and that understanding helped us avoid a lot of the mistakes that one might make if they knew nothing. But there’s still a lot of learning, a lot of things that are different than you expect them to be.”

Melissa Vitelli's Sometimes Painful Path to Entrepreneurial Success



Working to get her fledgling tomato sauce company, Glen Rock, N.J.-based Jar Goods, off the ground, Melissa Vitelli, 36, has never shied away from the heavy lifting—literally or figuratively. “I developed sciatica because I was always carrying these heavy cases of sauce around,” she says with a laugh. “It always seemed that I would have to park a few blocks away from the stores in New York City and then decide, should I carry one case or two?”

That was a couple of years ago, and fortunately, although they’re still working very hard, things have eased up a bit for Melissa and her sister-in-law/business partner, Laura Vitelli, 47. The three-item line of Jar Goods tomato sauce is now available in about 1,100 stores in locations in the Northeast, West Coast, Southwest, and Midwest, and this past spring, the Vitellis hired a sales and business development team to help them take the company to the next level. They’re projecting sales of \$1.2 million within the next year, and Melissa Vitelli says that with two rounds of investment by family and friends complete, she expects to seek outside investors later this year.

Looking to make a career change and convinced that there was a niche in

Inspired by her love of vegetable gardening, Melissa Vitelli decided to commercialize a family recipe.

Photo courtesy of Jar Goods

the marketplace for a high-end, clean label tomato sauce, Melissa Vitelli started thinking about commercializing a version of her father-in-law’s sauce recipe. “As much as I as a layman could see that the category was pretty saturated, we felt it was saturated with products of low quality,” she says.

Her goal was to formulate a versatile, natural sauce that helps “people get a really satisfying dinner on the table easier, faster, and happier.” The Jar Goods assortment currently includes *Classic Spicy*, *Classic Red*, and *Classic Vodka* tomato varieties with additions to the lineup, including a *Vegan Vodka* tomato sauce, a *Black Tapenade*, and a *Purple Pesto* sauce, planned for later this year.

A food incubator program established last year by Chobani played a valuable role in enabling the Vitellis to build their business. As a member of the Chobani incubator’s first class of entrepreneurs, Melissa Vitelli says she spent one week a month last fall and spring on-site at Chobani facilities, where she reaped the benefit of advice from the pool of experts Chobani assembled as well as from sharing ideas with other entrepreneurs. Guidance from incubator mentors was instrumental in helping the Vitellis come up with a promotional



The suggested retail price for a 16-ounce jar of Jar Goods sauce is \$6.99. Photos courtesy of Jar Goods



strategy that was a good fit for the brand.

Approaches that have been working well include using hang tags featuring easy-to-prepare recipes on the jars and offering instantly redeemable coupons at point of purchase. In the earlier stages of the business, the Vitellis got help with formulation and production processes from experts at the Northeast Center for Food Entrepreneurship at Cornell University. »»

ENTREPRENEUR TALK: Melissa Vitelli

Essential Entrepreneurial Skills: “Because I believe that anyone is capable of developing any skill, I think there are qualities as opposed to skills essential to entrepreneurship. Entrepreneurs need to over-index on risk tolerance—one would need to be willing to risk a lot for the possibility of winning. Also, it’s essential to be of [an] optimistic and hard-working nature.”

Given the Opportunity for a Do Over: “I think I would have gotten a little more help.” She says that applies particularly to the period of time in late 2015 when she gave birth to a daughter just months after her products’ retail debut and was seriously sleep deprived.

One Hard Truth: “Advice should only be taken seriously if from an industry veteran with an optimistic but realistic point of view. All other advice should be taken with a grain of salt!”

Upton's Naturals founder Dan Staackmann and company vice-president Nicole Sopko show off some of the items in the company's line of jackfruit-based products. Photo courtesy of Upton's Naturals

Dan Staackmann on Upton's Naturals Slow, Steady Buildup

For most entrepreneurs, long hours come with the territory, leaving all too little time to focus on the rest of life. Dan Staackmann, founder and CEO of Chicago-based vegan foods maker Upton's Naturals, has found a way to help solve that common entrepreneurial dilemma. A few years back, he had a combined factory/office/residence built, and now he lives right above his office.

The three-story building is located in an historic manufacturing district of Chicago that is also home to a residential neighborhood. The building includes manufacturing space and a vegan café on the first floor; office space on the second floor; and, on the third floor, an ultra-modern apartment for Staackmann and his girlfriend and Upton's Naturals vice-president, Nicole Sopko.

Staackmann says there's been no downside to living above the office. "It has helped remove the stress of commuting and made operations problem-solving while not at work more convenient," says Staackmann. "For the most part, employees have been respectful in regard to trying to ask for things if we're home but not technically working. I've received a handful of text messages, but no one has ever come banging on the door."

A longtime "ethical vegan," Staackmann, 40, decided to venture into the food business when he realized that there weren't a lot of companies producing one of his favorite products, the wheat-based meat alternative seitan. Staackmann spent some time tinkering with product formulations before rolling out Upton's Naturals seitan in 2006.

Funding the start-up with a home equity line of credit and working in shared kitchen space, "We did all the build-out for under \$40,000 and then approached Whole Foods," says Staackmann. "We were able to get placement in seven stores and once those did well, we got into 20 in the greater Chicago area." Within six months, Upton's had distribution in all Whole Foods Market's

Midwest region stores and eventually reached national distribution in Whole Foods.

In 2015, Upton's introduced its first meat alternative made from the versatile tropical fruit jackfruit, which is high in fiber and has a meat-like texture when it's harvested before it ripens. Recent Upton's rollouts include vegan mac and cheese and a line of four Thai meal kits.

Staackmann is quick to credit Whole Foods with a large share of his company's success. "They've really been the greatest partners we could ever ask for," says Staackmann. He notes that unlike many other supermarket chains, Whole Foods does not charge slotting fees to take on new products, which opens the door for companies like his to gain a foothold. Staackmann initially focused on expanding his business in the natural channel, but recently he's found growing interest from mainstream grocery retailers. Staackmann doesn't disclose Upton's Naturals revenues, but he says the company is profitable, and he expects 2017 sales to be up 40% over last year. Although many entrepreneurs turn to venture capitalists to grow their companies, Staackmann hasn't sought funding from outside investors. He says that when he was getting started, "none of that outside money was an option. . . . Who was going to give me—some twenty-something guy with a strange-sounding product—any money?"

And now he doesn't think it's a path he needs to go down. "I've personally put so much into this business," he says.



"I'm not willing to give some up without good cause. What most companies want is to buy in at 20% or 30% and within five years to sell the company at three to seven times valuation. I've seen some of those deals be very successful, but you have to give up a lot of control. All of a sudden, it's not your company. You have to deal with people who have a much different agenda than you. I haven't been eager [to do that]." **FT**

Packaged in a retort pouch to ensure freshness, each of the new Upton's Naturals Thai Meal Kits is made with shelf-stable precooked noodles or rice, vegetables, and plant protein plus a garnish. Photo courtesy of Upton's Naturals

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ENTREPRENEUR TALK: Dan Staackmann

Essential Entrepreneurial Skill: "There's not a book or even a website that tells you how to do this. I attribute a lot of my success to being an only child and figuring things out."

Secret to Success: "All of the products that we offer are quite unique in each of their categories. I think that's definitely made a big difference."

Given the Chance for a Do Over: "Maybe I would have been one of those companies that would have looked at outside money."