How to start an alternative protein company

Best practices for plant-based, cultivated, and fermentation entrepreneurs

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The Good Food Institute (GFI) is a 501(c)(3) nonprofit that unlocks the knowledge and resources needed to transform how meat is made—satisfying rising food demand in ways that accelerate climate progress, protect animals and ecosystems, and strengthen public health.

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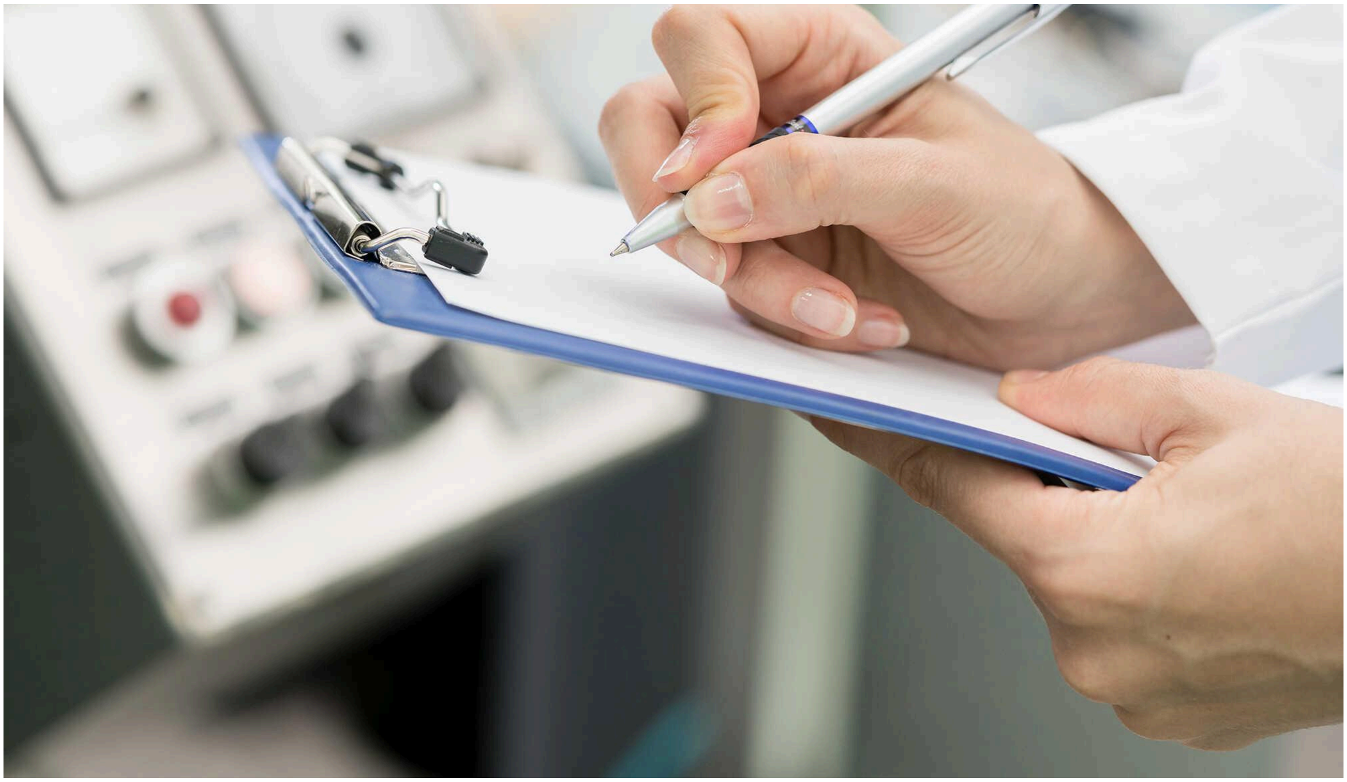
Introduction

By 2050, the global demand for meat is projected to rise significantly. By reimagining how meat is made, we can meet consumers where they are. GFI's work makes it possible for alternative proteins to increasingly compete with conventional meat, seafood, eggs, and dairy on the key drivers of consumer choice: **taste** and **price**, and to deliver a compelling value proposition to motivate switching.

We know there are lots of resources out there for entrepreneurs. This guide is a bespoke resource for startups entering the alternative protein sector.

GFI's startup manual is just one resource that GFI provides alternative protein entrepreneurs. Learn more about GFI's entrepreneurship and innovation resources, including our:

- Mentor program
- Investor directory for startups and funds currently fundraising
- Map of incubators and accelerators
- Guides for how to partner with foodservice and large corporates



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Section I: Plan your company

Join the GFIdeas community

The first step is to surround yourself with a community. Starting a company is hard, and it's nearly impossible to do on your own. Peer support, collaboration, and networking are essential components of entrepreneurial success.

GFIdeas is a community for entrepreneurs, scientists, students, and subject matter experts who are driving alternative protein innovation. We host monthly webinars and maintain a Slack group for entrepreneurs to connect with each other, ask questions, and share resources. Learn more and request to join GFIdeas.

Learn about the alternative protein industry

Before you can innovate within a market, you need to understand the market really well, including the technology behind it. Check out GFI's primer on alternative proteins from plant-based to cultivated to fermentation-enabled meat: what they are, why they matter, and how they can transform the future of food. Plus, explore our comprehensive report series, State of Alternative Proteins, for insights into the rapidly evolving alternative protein landscape, from commercialization to investment, consumer insights, regulation, science and technology, and more.

In addition to learning about alternative proteins, it's important to learn about the food industry. Many resources throughout this document help entrepreneurs navigate the complexities of product development, product testing, manufacturing, sales, distribution, and more, but signing up for food industry newsletters can be a great place to start. Here are a few we recommend:

- AgFunder News
- Alternative Protein Opportunity
- Food Dive
- Food Navigator
- Green Queen
- Protein Production Technology International
- Vegconomist

Find a co-founder and pick a company idea

When you've gathered a more complete understanding of the market and technical space, you get to do what entrepreneurs do best: innovate. This is your moment to dream big about all of the possibilities and come up with a company idea. This is also your time to find a co-founder whose skill set complements yours and is a good fit for the company idea you'll be pursuing together.

You might pick your company idea and then look for a co-founder, or you might choose your co-founder and decide together on a company idea to pursue. We've seen entrepreneurs have success with both approaches, and with having more than one co-founder. Either way, it's important that your background and your co-founder's are complementary, and that both of your backgrounds are well-suited for the company idea that you choose. It's also essential that you and your co-founder have a solid working relationship. Of course, finding a co-founder is optional, and there have been many successful solo founders, but due to the labor intensity of starting a company and the preference of investors, we generally recommend co-founding rather than going it alone.

Some potential methods for finding a co-founder are through your personal networks, the GFIdeas community, and LinkedIn searching. Many startups are modeled such that there is a CEO with a business background and a CTO with a technical background. What skills you may look for in a cofounder will vary greatly depending on your company idea.

When considering business opportunities within the alternative protein sector, a great place to start is GFI's company database for an overview of the types of companies that currently exist and identify possible whitespaces.

Conduct a feasibility study

Conducting a feasibility study will allow you to make an informed "go or no go" decision and will help you understand what risks and opportunities are involved prior to investing significant time and resources into the business. *The goal of a feasibility study is to determine the company's feasibility, not to pitch the idea.* Thus, it is important to be as objective as possible in your analysis and base your conclusions on evidence rather than speculation as much as possible.

Feasibility studies can be used to evaluate any project, not just company ideas, so you might find it useful to conduct feasibility studies throughout the growth of your company, such as prior to a new product launch or when deciding whether to obtain your own manufacturing facility. Cleverism has a great overview of how to conduct a feasibility study.

You may organize your feasibility study into the following four sections or use an alternate format. But in general, a feasibility study should address the following topics. Needs within each area should be taken into consideration simultaneously, since there may be impacts across topic areas:

Market feasibility

The goal of the market feasibility study is to examine the market opportunity for the proposed business.

The market feasibility section should include a description of the industry, the current size and anticipated growth of the market, and an overview of your competitors and potential customers. In addition to using market research to size the market and examine consumer purchasing trends and motivations, it is critical to talk to potential consumers as part of your market feasibility study, as well as potential wholesale customers like retailers, foodservice establishments, and distributors.

Talking with consumers and customers allows you to validate whether your business idea meets a genuine need in the market. It also helps you to understand if there are ways you can update your strategy to better meet customer needs and expectations.

Technical feasibility

A technical feasibility study involves examining what resources the company needs to provide the proposed product or service at an appropriate price point.

Both physical (e.g., labor, materials, space) and non-physical (research and development, industry knowledge and connections, staff skills and experience, regulatory) needs should be considered, as well as the company's ability to meet these needs.

Commercial feasibility

To determine whether the business is viable from a commercial perspective, the commercial feasibility study synthesizes the market and technical feasibility studies to determine the proposed business' profitability.

A commercial feasibility study would ideally quantify costs and estimate a timeline for revenue generation and profitability.

Overall risk assessment

The goal of the overall risk assessment is to synthesize findings from the previous sections to make a determination about the riskiness of moving forward with the business.

Porter's Five Force Analysis is one tool for structuring a risk assessment. In addition to conducting a risk assessment, we also recommend using SWOT analysis or a similar strategic planning tool to examine the business' strengths and opportunities in addition to weaknesses and threats.

Write a business and technical plan

Many entrepreneurs think business plans are outdated—and in some ways they are. Such a lengthy document is not particularly useful for catching the attention of potential investors or business partners. However, while it's generally not recommended to lead by attaching your business plan to an investor intro email, investors will likely ask to see a formal, written business plan during the vetting process.

Technical plans are even more important for this purpose, as investors typically dive deeply into your technical plan during the vetting process.

What a business plan is: a strategic plan for running your business that helps you minimize risks and seize opportunities.

What a business plan is not: a tool for pitching to investors (that's what pitch decks are for).

The best businesses are living documents that evolve alongside strategy. Writing a business plan will help you think through every aspect of building and running your company. In addition to your full business plan, you might also develop an executive summary that can be distributed as a one- or two-page resource. Check out *Forbes*' business plan executive summary example and template.

While you can organize a business plan in many different ways, strong business plans cover the following topics and describe competitive advantages as well as risks within each area:

- Company description and mission
- Market analysis, including potential customers, partners, and competitors
- Organization and management, including current team and hiring plan
- Description of product or service
- Technology
- Marketing, including forecasting
- Funding requirements, including how much funding is needed and how it will be used
- Current financial state and projections
- Planned key milestones and time-bound goals, both immediate and long-term

The U.S. Small Business Association (SBA) has lots of resources on business planning to help you throughout the process. The Balance provides a business plan template, as well as an example executive summary. *Entrepreneur* also has a business plan template.

As a food business, some of the questions you'll want to think through in your business plan include:

- Where will product development be performed, and who will provide the technical expertise?
- Where will manufacturing and packaging be performed?
- What will be your channel strategy?
- What are the regulatory considerations for bringing your product to market?

In addition to a business plan, you'll also need a technical plan that outlines the technical components of what you're planning to do. Thorough citations including primary research are a central component of a strong technical plan, particularly for novel products in emerging categories, like cultivated meat.

You might choose to make your technical plan a section within your business plan or create a separate document.

Either way, some of the questions you can consider answering in your technical plan include:

- What are the components of your strategy that are novel compared to your understanding of what other companies are doing?
- What are concrete milestones (every six or 12 months) that would demonstrate meaningful de-risking events?
- What aspects of your plan do you consider to be high risk, moderate risk, and low risk? How will you de-risk the elements you perceive to be riskiest? What will be your plan A, B, C, etc. to ensure you will accomplish your milestones when unexpected situations arise?
- What is your intellectual property (IP) strategy?
- What aspects of your work will you conduct in-house versus contract out, and what is the justification for those decisions?
- What technical skill sets do you already have, and what do you need to bring on board to perform this work?
- What specific protocols do you intend to use? This may not be a write-up of every protocol step-by-step, but it may outline an actionable plan that you could jump into tomorrow if you were given the money today.

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Section II: Create your company

For more, check out Fidelity’s Guide to Starting a Startup.

Hire a lawyer

Virtually every startup will need legal support at some point in its growth, but to what extent and when this support is needed can vary from company to company.

Today, there are alternatives to hiring a lawyer for many of the simpler legal issues that startups face, like third-party service providers for incorporation, payroll tax, and hiring. If you choose to use a lawyer for these items, smaller regional firms or solo practitioners would likely be more affordable than larger, more specialized firms. For more complex issues, there’s no substitute for legal support from a qualified professional.

When hiring an attorney, it’s generally best to start your search by asking for recommendations within your personal and professional networks. Asking other startup founders can be a great place to start. If you’re applying for an accelerator, they will also likely have a list of recommendations.

If you can’t find a referral through your networks, we recommend using a directory. Many state bar associations compile directories of lawyers by area of expertise or provide lawyer referral services. When searching for a lawyer, one of the most important criteria is finding someone with relevant expertise in the particular subject area for which you’re seeking assistance. For example, if it’s a regulatory issue, finding someone with significant experience working with the administering agency will be extremely valuable.

Since having experience with specific issues is so important, it’s not uncommon for a company to hire one lawyer for assistance with a particular issue (e.g., a corporate securities lawyer for VC fundraising) and a different lawyer for assistance with a different issue (e.g., a former FDA lawyer for regulatory review of a new food ingredient). *Forbes* explains more about why startups might need a lawyer and the considerations for hiring one.

Determine your company structure and form your business

Before you can form your business, you need to select a business structure. The SBA also has information on the different types of business structures that can help you choose what structure is right for your company.

We also recommend speaking to a tax expert and possibly an attorney about this decision, as your choice of business structure can have tax and liability implications for you personally as well as for potential investors.

Most companies that intend to raise venture capital incorporate as a corporation, which is a legal entity that is separate from its owners. Corporations can make a profit, be taxed, and be held legally liable. Corporations are the preferred business structure by VCs for a variety of reasons. In fact, some VCs will not invest in any entity that is not a corporation.

If you're not planning to raise VC funding, an alternative business structure like a Limited Liability Company (LLC) might be a better fit.

You'll also need to decide in which state to form your business. Your business doesn't need to be located in the state where you do business. In fact, many companies that are not located in Delaware choose to incorporate there due to the expertise and experience of that state's courts and regulators, the flexibility of its corporate statutes, the preference of VCs, and a variety of other reasons.

If you choose to form your business in a state outside where you do business, you will need to complete a filing to do business in your home state.

For a variety of reasons, the typical structure for a high-growth startup is a Delaware C Corporation (C Corp). If you would like to incorporate your company as a Delaware C Corp, using a service such as Clerky can help facilitate the incorporation process. Clerky provides step-by-step instructions for how to incorporate your company as a Delaware C Corp.

Startup Company Lawyer also has a great collection of incorporation advice, including when to incorporate your company, what type of company to form, what state to incorporate in, and more.

To state the obvious: in order to form your business, you'll need a name for it. Ideally, you would select a name that is a reflection of your overall marketing strategy and brand identity.

If you haven't fully figured this out by the time you form your business, you can always choose a name that works for now and switch to using a "doing business as" name later on.

Post-formation setup activities

After you choose your company structure and register your business, the next step is to set up the structure of the organization.

Certain things might be required under state law; for example, bylaws, a Board of Directors, company officers, etc. If you are using Clerky or another incorporation service, each of these steps can be performed through their system. If you are not using Clerky, having an attorney to help you navigate each of these steps is highly recommended.

You will need a federal tax ID number, also known as an Employer Identification Number (EIN). An EIN is like a Social Security number for your business, ensuring that when you pay taxes, the payments are properly credited to you.

Depending on your state's tax laws, you may also need a state tax ID number. The SBA provides information on how to get federal and state tax ID numbers. You can apply for an EIN online via the IRS. Learn more about obtaining an EIN.

Depending on the nature and location of your business, you also may need to apply for federal or state licenses and permits.

Opening a business bank account will generally be another key step when you're ready to start accepting or spending money as your business.

If you incorporate in a different state from where you conduct business, you will need to complete a filing with the state in which your business is based. This is usually a filing with the Secretary of State or State Corporate Board and is called something such as "foreign qualification" or registration as a "foreign corporation."

The SBA also has information on how to obtain federal and state licenses and permits and how to stay legally compliant depending on your business structure.

Founder's stock

Founder's stock is not a special class of stock—it simply refers to common stock that is issued to a company's founder(s). However, since the transfer of securities is regulated, founders cannot simply issue stock without taking steps to comply with state and federal securities laws.

You can learn more about these laws in the securities laws section of this manual. For now, it's important to know that when issuing founder's stock, startups often use the exemption found in Rule 4(a)(2), for "transactions by an issuer not involving any public offering."

If you issue securities based on Rule 4(a)(2), you will also need to find a state law securities exemption, file the appropriate forms, and pay any required fees. Startup Law Blog and Bend Law Group provide further information about securities laws and exemptions.

Aside from complying with state and federal securities laws, there are other considerations when issuing founder's stock.

First, make sure the company owns all intellectual property (IP). It is important to incentivize the founder to stay with the company and add value. And if the founder leaves the company or someone else ends up with the founder's shares, it is critical to be able to get those shares back, in order to keep the voting power within the company.

The founder's restricted stock purchase agreement aims to achieve all three of these objectives using terms such as IP assignment, transfer restrictions, repurchase rights (including vesting), and more.

As specified in the purchase agreement, founder's stock is usually vested, which means that the stock is transferred over a period of time (usually three to four years) rather than all at once. Vesting requirements protect the company in the event that an employee or founder decides to leave or is terminated from the company sooner than expected.

Cooley GO has an explanation of founder's stock and common vesting provisions.

83(b) election

Founders of a new startup who receive stock that is subject to vesting may want to consider whether to submit an 83(b) election to the IRS **within 30 days of the transfer date of the stock**. The IRS will not accept 83(b) elections that are submitted late, so entrepreneurs must be aware of this time sensitivity as well as the potential tax consequences of 83(b) elections prior to transferring stock.

Since the IRS considers stock to be a form of income, you must pay income tax on any shares you receive. 83(b) elections allow you to choose when you pay that income tax, which is important since the amount of tax you pay is based on the shares' current valuation, and valuation changes over time.

Since founder's shares are issued shortly after company formation and will presumably increase in value over time, and since 83(b) elections are time-sensitive, lawyers will usually advise founders of new companies to file an 83(b) election.

If you are an employee receiving vested stock in a company that already has significant value, the choice is less clear. Cooley GO and Bend Law Group provide explanations of what an 83(b) election is and when it makes sense to file one. The IRS has a sample 83(b) election that includes all the information you will be expected to provide.

Business insurance

Business insurance provides protection against the unexpected costs of running a business. There are different types of business insurance, but some examples include general liability insurance—which covers risks that come from operating your business in general—and "Directors and Officers" liability—which will cover liability for actions you, other company leaders, or board members take as part of your business operations.

The SBA provides general information on different types of business insurance.

As a food business, you'll also want to consider more specific types of insurance that relate to the handling and manufacturing of food, such as product liability insurance, recall insurance, and contamination insurance. Learn more about insurance for food entrepreneurs.

Hiring workers

Before you hire people to work for you, you'll need to set up a payroll structure, including obtaining an EIN.

After you have this structure in place, the next step is to define the hiring need. In other words, what is the job that needs to be done?

It is important to determine whether this need could best be filled by an employee or an independent contractor. This decision can have tax and legal consequences, as explained in the SBA's Business Guide. Next, consider:

- How much staff time will be required to fill this hiring need—for example, will you need a part-time or full-time employee (or multiple full-time employees)? Will you need temporary or seasonal hires due to fluctuations in workload, or the one-off nature of a specific project?
- What's the hiring timeline, including the application deadline, target dates for each step in the process, and when the role needs to be filled?
- Where will the person performing this role be located? Can you allow the flexibility to work remotely?
- What's your budget for hiring, including travel costs and advertising and recruiting fees?

From there, you can write a job description for the open position, including expected roles and responsibilities, the required and desired qualifications and experience, and information about compensation and benefits.

When writing job descriptions, be aware that the language you use might affect who applies. Glassdoor has an article on how to reduce gender bias in job descriptions, and we recommend testing job descriptions using this gender decoder tool.

Compensation

Startup founders and employees are usually compensated with a combination of cash, benefits, and equity. Homebrew's Compensation Guide provides compensation advice to startups.

Cash compensation

Determine whether the employee will be paid on an hourly or salaried basis, as well as whether the employee will be exempt or non-exempt.

It's best practice to set salary/equity ranges and a policy around negotiation prior to engaging with candidates to reduce subjectivity and bias in determining employee compensation. The Society for Human Resources Management (SHRM) provides some tips on how to establish salary ranges.

We also recommend using industry benchmarking data from sources like Salary.com, AngelList, and PayScale. Note that several states have banned employers from asking for past salary history to prevent pay inequality from following people from job to job, so use caution with this type of information.

Equity compensation

For both founders and employees, there is a balance between cash and equity compensation. Often, founders will choose to pay themselves below market rate in cash compensation because they have a large equity stake in the company.

Thus, it is not uncommon for founders to pay their employees a higher salary than their own. Founders might choose to take a higher salary in exchange for less equity, but most founders prefer to hang onto their equity in the hope that it will one day be worth much more than a salary bump.

Equity is usually vested over a period of three to four years when offered as part of a compensation package. Just as you wouldn't pay someone a full year's salary and have them quit the next day, you also wouldn't want to give someone their full equity stake and have them quit the next day.

By transferring ownership rights to the recipient of the stock gradually over a defined period of time, vesting requirements protect the company in the event that an employee or founder decides to leave or is terminated sooner than expected. Clerky and Rho have articles that discuss standard vesting terms for founders, advisors, and employees.

In addition to equity, founders are often granted options, which usually are tied directly to performance and vest over three to four years. Employees might be offered options instead of equity, which also typically vest over three to four years. Note that options and warrants provided as a form of compensation are both subject to Section 409A of the Internal Revenue Code, meaning you will need to perform a 409A valuation prior to issuing employee stock options.

Employee benefits

As outlined in the SBA's Business Guide, there are a number of **required** employee benefits, including:

- Social Security taxes
- Workers' Compensation
- Leave benefits as required by states (varies by state) and by the Family and Medical Leave Act (FMLA)
- Disability insurance (varies by state)
- Unemployment insurance (varies by state)

Other benefits are not required but can help you attract and retain top talent. These include life insurance, retirement plans, dental and vision insurance, paid vacation time, and more.

Medical insurance is another benefit that is not required but will be expected by most job candidates. Furthermore, businesses with 50 or more full-time employees will face an employer shared responsibility payment if they do not offer health insurance that meets certain minimum standards.

As a small business, you may be eligible to purchase employees' health insurance coverage through the Small Business Health Options Program (SHOP). Refer to the Human Resources section for more information about managing employee benefits.

QuickBooks provides a Guide to Employee Benefits for Small Business that outlines the required and common employee benefits that employers offer.

Advertising and recruitment

A common starting place is to post the job description on your website, as well as to LinkedIn and possibly other social media outlets.

You might also consider posting the position to university or industry job boards, including alt protein-specific job boards like AltProtein.Jobs and Food Impact Careers.

While these broad advertising strategies can be helpful, they might not be enough to attract qualified candidates.

If you are looking for a highly specific skill set (e.g., a food scientist with experience in plant-based meat manufacturing or a cell biologist with experience in tissue engineering), you may have to seek out passive candidates (i.e., people who aren't necessarily applying for jobs). This active outreach is referred to as recruitment.

For recruiting, you can either take an in-house approach or hire outside professional help. The in-house approach includes using the advertising strategies identified above, using LinkedIn to find and reach out to potential candidates, and using more sophisticated recruiting software platforms (some examples are LinkedIn Recruiter Lite, LinkedIn Recruiter Corporate, Entelo, Lever, and iCIMS).

Capterra is a useful tool for comparing different types of recruiting software. In addition to the cost of the software itself, it's important to consider the time and effort spent on getting comfortable in and using the software.

If you decide to take the outsourced approach, there are a few different types of recruiting firms you might consider:

- **Search/placement firms** are the most specialized and most expensive type of recruitment firm. They are responsible for identifying and reaching out to qualified candidates. Typical fees are 20–35 percent of first-year annual base salary.
- **Name generation firms** are less expensive than Search/Placement firms, but their role is less extensive. While they are responsible for identifying potential candidates, you are responsible for reaching out to them. Fees vary but are typically 96–97 percent lower than search/placement firms.
- **Contract recruitment firms** perform recruitment activities at an hourly rate, which varies based on the geographic region and scope of work to be done. This method is more expensive than name generation, but generally less expensive than using search/placement firms. Companies often use name-generation firms to obtain candidate lists, then engage contract recruiters to contact and pre-screen candidates.

In selecting a recruiting firm, it's beneficial to choose someone who understands your industry and has demonstrated past success within it. There are various firms that cater specifically to biotech or food companies. For example, Helix Recruiting is a biotech recruiting firm whose past clients include Perfect Day and Modern Meadow.

Attracting diverse talent

During the recruitment process, consider implementing strategies to ensure you are attracting diverse talent. This might include posting positions on diversity-focused job boards or reaching out to diversity-focused professional organizations.

Homebrew's Diversity Guide outlines strategies for startups specifically, and Project Include, Paradigm, and Encompass have additional resources on how to make organizations and startups more inclusive, both in the hiring phase and as part of your ongoing team culture.

Reviewing applications and interviewing

When screening candidates, you'll compare their application materials against the requirements outlined in the job description. You might choose to conduct interviews over phone/video conference or in-person.

After the interview process is complete, that's typically when you would check the final candidates' references and make decisions about whom to reject and to whom you'll extend an offer.

It's best practice to respond to everyone who applied for the job to inform them of your decision, even if it is to reject them. Tracking applicants through an applicant tracking system (ATS) can make it easier to stay organized throughout this process.

Making an offer

Once you decide whom you'd like to hire, you can make a verbal offer and present a written offer letter. Typically, offer letters set forth the expected compensation and start date, and other key details, often conditioning employment on the passage of a background check and successful completion of other onboarding tasks.

Once the offer letter is signed, that's when employers generally conduct any necessary final screenings such as background checks or drug tests as defined and agreed to in the offer letter.

After you work with the employee to identify a start date, it's time to get to work on new hire paperwork, including W-4s, I-9s, direct-deposit forms, and other new hire documents.

You might also consider having all new employees sign an Employee Proprietary Information Agreement form to protect the company's IP. If you are planning to raise VC funding, there will likely be a clause in your term sheet specifying that this form is required for all employees.

Welcoming and onboarding

Once the new hire has accepted the offer, it's important to make them feel welcome! Nectar HR provides some advice on how to welcome and onboard new employees to give them the tools they'll need to succeed in their new jobs.

Human Resources (HR)

When you hire an employee, you must register with the state taxing authority to submit payroll taxes and you must register for unemployment insurance with the state.

A wide variety of rules apply to taxes, payroll, and employee benefits. These include wage and hour laws, state and local employee leave requirements, anti-discrimination rules, and others.

Due to the number of varying requirements, you might consider using a Professional Employer Organization (PEO), a firm that provides comprehensive HR outsourcing to help manage a company's employee benefits, regulatory compliance, payroll, and more. Some examples of PEOs are Trinet, ADP, and JustWorks.

One alternative to hiring a PEO is to shop around for different HR providers and outsource to specific companies, then use a payroll service provider or an all-in-one Human Resource Information System (HRIS).

Capterra is a useful tool for comparing different types of HR software. Many of these software systems also offer "Managed HR" services, in which they act as your third-party HR department. You can also hire someone in-house to manage HR issues for all your workers. Whether to rely on a third-party service provider or manage these issues by hiring a dedicated employee will depend on many factors, including the number of employees you have.

The Society for Human Resource Management (SHRM) provides a number of resources, including an overview of HR topics, legal and compliance resources, and sample forms and tools.

Accounting

Accounting is the act of recording and summarizing business and financial transactions and analyzing, verifying, and reporting the results. There are different branches of accounting, but the two that will be most relevant to startups are financial accounting and managerial accounting, also known as management accounting.

Financial accounting

Financial accounting is the process of preparing financial statements to show the company's financial performance over a set period of time. The three basic financial statements are the **balance sheet**, **cash flow statement**, and **profit & loss (P&L)/income statement**. These statements are used to show the company's financial position to external stakeholders, including investors, creditors, and other partners.

Financial accounting can be performed in one of two methods: cash or accrual. In cash accounting, transactions are recorded at the time of money transfer. In accrual accounting, transactions are recorded when income is earned or expenses are incurred, regardless of when money was actually transferred.

For example, if you issue an invoice for a shipment of products that was delivered in January but don't receive payment until February, cash accounting would record this transaction in February, while accrual accounting would record it in January. These articles from QuickBooks explain the pros and cons of cash accounting and accrual accounting and how to choose which is right for your business.

Note that public companies' financial statements must adhere to generally accepted accounting principles (GAAP), a set of standards issued by the Financial Accounting Standards Board (FASB). Since GAAP is based on accrual accounting, public companies must use accrual accounting to prepare their financial statements.

Private companies do not have to adhere to GAAP, though investors and other stakeholders will have some level of expectation that your financial statements are prepared in a clear and consistent manner. Learn more about why GAAP is important for startups.

QuickBooks' Accounting 101 for Small Business guide provides information on how to prepare a balance sheet, a cash flow statement, and an income statement, including templates. For more information on these three basic financial statements, refer to the SEC's beginner's guide to financial statements and an overview of three essential financial statements.

Managerial accounting

While financial accounting is used to inform external stakeholders about past financial performance, managerial accounting is used internally to help inform business decisions.

A great tool for managerial accounting is financial modeling. A financial model is a spreadsheet that acts as a virtual representation of your company. Financial models allow you to model how different business decisions or external factors might impact your company's future financial performance, allowing you to make informed business decisions and plan for unexpected circumstances. For example, financial models can help you answer the following questions and more:

- How much money do we need to raise?
- How long is the runway for that funding?
- When do we expect to become profitable?
- How do we justify our valuation?

The simplest type of financial model is the three statement financial model, which links the balance sheet, cash flow statement, and P&L/income statement into one connected model.

The Corporate Finance Institute has a free video tutorial on how to link the three basic financial statements.

Once these financial statements are linked into one model, you can incorporate more complex features such as sensitivity analysis and scenario analysis to help inform business decisions. Wall Street Prep has guides on conducting sensitivity analysis and scenario analysis, as well as best practices for financial modeling. WallStreetMojo's guide to financial modeling is another useful resource.

You can find example financial models online, such as SlideBean's example financial model, but in order to be a truly informative and reliable business tool, your model will need to be customized to include assumptions specific to your business. While not every company builds a custom financial model in its early stages, the complexity of a company's model is usually indicative of its maturity, and investors view it as such. The further a company is from having a built-out financial model, the harder it is for an investor to justify funding the company.

Generally, a seed-round company is expected to have a basic model informed by assumptions unique to its business. However, at this stage, VCs often model the business themselves during due diligence under the assumption that the company's own model is not well-informed.

By the time a company is in its Series A round, investors will expect that the company has progressed to a full, detailed model with thoughtful projections that move beyond unfounded percentage-growth estimates and hockey-stick curves.

Later-stage and public companies model every aspect of their business. In summary, you have a lot to gain and little to lose from making your model as comprehensive as possible in your early stages, but it won't be an absolute necessity until later on.

Most companies use Excel to build a financial model. Financial modeling software packages can help prevent errors that might go unnoticed in Excel if your methods are sloppy, but since these software packages are less customizable than Excel, they may not be as useful.

Tax accounting and auditing

Tax accounting and auditing are branches of accounting that support or challenge results obtained from financial and managerial accounting work. As an early-stage startup, you likely won't need to worry about auditing for a while.

You will, however, need to pay taxes. Business taxes may be collected on the federal, state, or local level. The IRS provides an overview of the different types of business taxes.

You can hire a tax accountant to help you determine your tax obligations and ensure compliance with all legal requirements. The IRS provides tips on hiring a tax preparer. There are also software options for doing your own business taxes.

Regardless of whether you choose to hire a tax accountant or use tax accounting software, you might consider looking into tax credits that could help reduce your tax burden. For example, startups can claim up to $500,000 in R&D tax credits through the U.S. Research & Experimentation Tax Credit (R&D Tax Credit) program.

The IRS provides information on tax implications for different business structures. The SBA also provides information on paying business taxes, and QuickBooks has a guide on how to prepare for business taxes.

Accounting software and ERP software

Many companies start out by managing their bookkeeping in Excel, and then move to accounting software once it becomes too complex and cumbersome to accurately manage this information in spreadsheets. This article from QuickBooks describes how to make the transition from spreadsheets to accounting software. As an early-stage startup, small business accounting software will likely meet your needs, though as you grow, you may need to upgrade to enterprise accounting software.

Eventually, you will likely need to implement an Enterprise Resource Planning (ERP) system, which not only keeps track of accounting information, but also performs other functions across your business, such as customer relationship management (CRM), supply chain management, business intelligence, front-office functions (sales force automation, marketing automation, eCommerce), and more.

ERP systems measure in real-time the current status of the business, automate core business functions, and improve financial compliance and customer service. ERP systems are feature-rich, but they are expensive and usually require customization during implementation.

To gain some of the benefits of a fully integrated ERP system without breaking the bank, early-stage companies may choose to use an inventory management system to complement rather than replace existing accounting software. An example of this type of inventory management software is Fishbowl, which integrates with QuickBooks and Xero accounting software.

Capterra is a useful tool for comparing different types of business software, including accounting software, inventory management software, and ERP software.

Hiring an accountant

At some point in your startup's growth, you will need an accountant for assistance with financial and tax issues. Most early-stage companies choose to hire an outsourced accountant as opposed to hiring one in-house.

A certified public accountant (CPA) is an accountant that has been certified by the licensing authority in that state. You will likely need a CPA to help with more complex issues such as tax planning and strategic financial advice, but more straightforward tasks can be handled by a bookkeeper.

NerdWallet explains the difference between a bookkeeper and a CPA.

When hiring an accountant, it is best to start your search by asking for recommendations within your personal and professional networks. If you can't find a referral, we recommend using a directory like your local CPA society (e.g., Illinois CPA Society).However, while these directories will turn up results, it can be difficult to evaluate different options without a recommendation.

As with hiring a lawyer, one of the most important factors is finding someone with relevant experience in the subject area within which you're seeking assistance. For example, have they worked with startups before or only well-established companies? Are they familiar with the states in which you have hired or plan to hire employees? Are they familiar with your tax software?

Business.com provides other considerations in their guide on how to choose the right accountant for your small business.

Cash flow

Cash flow is the net amount of cash moving into and out of a business. Since businesses cannot function without adequate cash, cash flow management is a critical aspect of running your business.

Keep in mind that profit and cash flow are not the same thing. A business can be profitable and not have adequate cash flow—for example, if you're not collecting on your invoices in a timely manner. The U.S. Chamber of Commerce describes four common causes of cash flow problems and how to solve them.

You can identify cash flow problems by staying on top of your financial accounting (particularly your cash flow statement) and conducting a cash flow analysis. Xero provides five rules for managing cash flow, and *Entrepreneur* provides ten more.

Invoicing

An invoice is a bill that itemizes a transaction between a buyer and a seller and provides information on the available methods of payment.

Your invoicing practices can affect your cash flow. Specifically, invoice payment terms will determine when payment on an invoice is due. You might have different invoice terms for different business partners (e.g., ingredient suppliers, retailers, distributors) depending on your agreements with those entities.

Common invoice terms include Net 30 and 2/10 Net 30, which are common among food distributors.

While the payment terms determine the amount of time between the issuance of the invoice and the due date, the clock only starts ticking once the invoice is issued. Therefore, it's important to be diligent about issuing invoices promptly after the product or service is provided rather than waiting until an arbitrary date (e.g., the end of the month).

To encourage on-time payment, it can be helpful to have a clearly communicated late payment penalty. It's also generally a good idea to have procedures in place to collect on overdue invoices, including sending friendly payment reminders when an invoice is almost due, making collections phone calls for overdue invoices, and stopping future shipments for accounts that are overdue.

You can also take preventive measures to avoid overdue invoices. Be careful with whom you do business, and pay attention to red flags, such as suspiciously large first-time order quantities. You can always ask a new customer for references from their existing suppliers or visit their store/website to find out who their existing suppliers are.

Many employers manage invoicing through accounting software or ERP software.

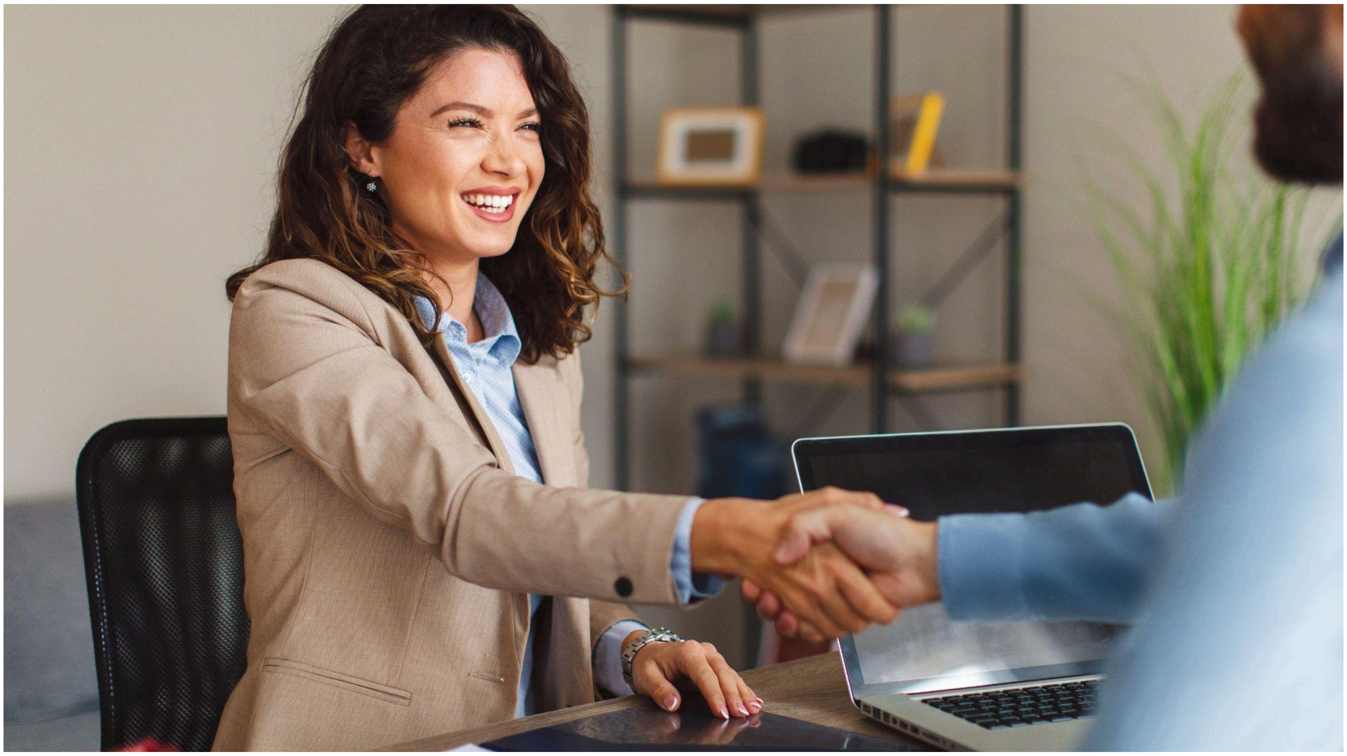

Photo courtesy of: djile/stock.adobe.com

Section III: Funding

The first step in the fundraising process is to consider what type(s) of funding to pursue. There are a number of different funding mechanisms, including equity, debt, warrants, options, convertible debt, grants, and crowdfunding—all with unique benefits and drawbacks.

Lots of startups in the alternative protein space have used them, but the choice isn't for everybody. It all depends on the needs of your team and your company.

The same is true with venture capital (VC) fundraising. Some plant-based companies like Tofurky have been successful in growing over time without raising VC capital. If you can avoid it, there are lots of benefits to not raising VC capital, including maintaining ownership of your company, both financially and in terms of decision-making power.

For lower-tech companies, pursuing organic growth over time through bootstrapping and more traditional funding mechanisms like small business loans might be a viable option.

GFI's investor directories for alt protein startups and funds

Startups and funds currently fundraising can request access to these directories, which feature hundreds of investors currently interested in funding alternative protein companies and funds.

You can also explore a public directory of past investors in the alternative protein industry to gain insight into the funding landscape's context.

For higher-tech companies that are years away from having a market-ready product, it might be difficult, if not impossible, to proceed without VC funding. That being said, VC funding can always be used in conjunction with other funding mechanisms like grants or loans. Entrepreneurs often choose to obtain funding from a combination of sources to balance the benefits and drawbacks associated with each.

If you decide to move forward with VC fundraising, there's a lot you'll need to learn about the process. We've covered the basics here and have linked to lots of additional resources for further support. Before jumping into the VC fundraising process, you need to understand your legal needs and obligations, not only to keep your company out of legal hot water, but to ensure that you are armed with the best legal resources, including a good business transactional lawyer. You then must decide how much money to raise based on how much you need to accomplish concrete milestones and reach a de-risking point that will add value to your company. At that point, you'd be ready to create a pitch deck, a short presentation that you will use to pitch your business opportunity to investors.

Then, you will need to identify potential investors that are a good fit for your business opportunity and get introductions to them so that you can increase your chances of getting the opportunity to pitch.

Once you deliver your pitch and one or more investors are interested in moving forward, the next step is to negotiate on and sign a term sheet, which dictates most of the terms of the investment, but does not yet constitute a finalized deal or even a legal commitment to move forward with the funding.

First, the investor must conduct due diligence on the company, and we recommend the company conduct due diligence on the investor as well.

After the investors have done a deep dive into your due diligence documents and you feel comfortable with your vetting of them as well, it's time to move forward with closing the deal. The lawyers will sign the documents, and the funds will be transferred.

The biggest key to the VC funding process is being well prepared. In advance of seeking funding, you might:

- Learn how to read a term sheet.
- Make sure your due diligence documents are in order before you start the process.
- Thoroughly research potential investors so you can target the most promising prospects and tailor your pitch to what they're looking for.
- Invest in a great pitch deck that effectively tells your story and is visually appealing.
- Become familiar with tools like liquidation analysis and capitalization tables before you really need them.

Accelerators and incubators

Accelerators are programs designed to catalyze the progress of early-stage startups within a set amount of time (usually around four months). Accelerators often provide pre-seed funding, workspace (e.g., office, lab, kitchen, or some combination depending on the program), educational workshops, mentorship, and networking opportunities, including access to investors.

Accelerators will usually take an equity stake in your company in exchange for their monetary investment as well as services provided, though some nonprofit accelerators do not take any equity or fees.

Different accelerators focus on companies at different stages. Some accelerators will take on teams with just a well-thought-out, innovative idea, while other accelerators are focused on scaling up companies with established revenue streams.

GFI's global map of accelerators and incubators contains information on accelerator programs across the globe in relevant fields such as food, biotech, and agtech.

Many companies raise their seed round while they're in an accelerator program so they have capital to spend on working space and other necessities after they no longer have access to the accelerator's resources.

Teams that already have a solid understanding of the startup process as well as a well-thought-out business and technical plan might find they can achieve progress faster by skipping the accelerator step and raising their seed round directly. If you decide to go this route, you'll still need access to workspace.

A good option for startups who are choosing not to pursue an accelerator, or transitioning out of an accelerator, is an **incubator**. Like accelerators, incubators offer physical space—like kitchen space, lab space, or some combination—but participation is less structured.

Incubators often offer business development services, but usually don't have a curriculum, workshops, and mentorship opportunities or take an equity stake. Incubators typically charge a per-month fee for access to their space and services and generally allow teams to stay as long as they need to.

Equity

Equity is defined as ownership interest in a company. There are two main classes of stock: common and preferred, with sub-classes within those two types.

Generally, founders and employees own common stock, while investors own preferred stock. Preferred stock comes with certain rights, privileges, and protections over common stock as defined by the term sheet (and later the closing documents) for that funding round. Both common and preferred shares can be subject to certain restrictions. Learn more about the different types of equity from the Corporate Finance Institute.

Debt

Debt is money borrowed under the condition that it will be paid back later, usually with interest.

One benefit of debt over equity is that it is **non-dilutive**, meaning that the lender does not own a stake in the company or have significant decision-making power over your business. However, recurring monthly payments leave little flexibility for borrowers, and lenders may have the right to claim company and/or personal assets if payments are late, depending on your business structure and the loan agreement.

Loans can be provided by private lenders or state or federal agencies. Government programs may also provide loan guarantees that allow private lenders to take more risk and/or lower interest rates.

To find government loan programs across the U.S., please reference GFI's loan program fact sheet.

Warrants and options

Warrants and options are similar yet distinct types of securities. Warrants and options are both contractual rights to purchase stock in a company at a specific price within a specified date range.

Options are commonly awarded under equity incentive plans, while **warrants** are more often issued to investors.

Options provided as a form of compensation are typically subject to vesting as well as repurchase in the event of the employee's termination of service.

Options and warrants provided as a form of compensation are both subject to Section 409A of the Internal Revenue Code, meaning that you will need to perform a 409A valuation prior to issuing employee stock options.

Convertible debt

Convertible debt, commonly referred to as a convertible note, is a type of funding often used in seed round investments. It's a loan that automatically converts into equity shares (typically preferred stock) at the close of a future funding round (usually Series A) or other event.

Since the loan is not converted to equity until a later date, the price per share and valuation are not set until that later round. To reward investors in the convertible debt round for investing in an earlier stage and therefore taking on more risk compared to Series A investors, they are usually offered incentives such as a discount, a valuation cap, and a modest interest rate.

TechCrunch featured a three-part series on convertible notes that goes into further depth about considerations founders should be aware of regarding convertible notes (Parts I, II, and III). To learn more about the pros and cons of convertible debt, we recommend the book *Venture Deals* by Brad Feld and Jason Mendelson.

In addition to convertible debt, there are other types of hybrid securities that convert from one type of security to another based on some future event, like the close of a funding round. Y Combinator's SAFE or Simple Agreement for Future Equity is a warrant that converts into equity. Another type of hybrid security is KISS, or Keep it Simple Security. Clara highlights the key similarities and differences between the SAFE and the KISS.

Hybrid securities like convertible debt, SAFE, and KISS have become increasingly popular in recent years due to their simplicity and standardization. Raising a convertible debt, SAFE, or KISS round is often faster and less expensive than raising an equity round. However, there are also potential downsides, which are discussed in further detail in *Venture Deals*. It's best practice to talk to a lawyer before issuing any securities.

Grants

Grants are non-dilutive and debt-free, making them an attractive option for entrepreneurs. However, the application process can be time-consuming and competitive. Grants often have a long lead time (about nine months to a year) between application submission and grant award. Upon award of the grant, periodic reporting to the administering agency is often required.

GFI tracks federal and state grants relevant to alternative protein companies. Join our email list to learn about new grants when they become available. Alternative protein companies have received funding from a variety of federal agencies, including the USDA, NSF, DOD, DOE, and NASA.

Plus, the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs provide research grants to small businesses.

A number of federal agencies issue SBIR/STTR solicitations throughout the year, many of which are relevant to alternative proteins. Review GFI's fact sheet for more information on the SBIR program.

U.S. public investment opportunities for alternative protein companies

GFI tracks U.S. public funding opportunities for alternative protein commercialization, including:

- Government loan and loan guarantee programs
- Manufacturing grants
- Tax incentives
- Government-led business services

Explore current funding opportunities, or subscribe to GFI's newsletter on U.S. public funding opportunities.

Crowdfunding

There are two types of crowdfunding: equity crowdfunding and product (rewards) crowdfunding.

In **equity crowdfunding**, investors are given equity in exchange for their contribution. Equity crowdfunding platforms include AgFunder, Seedrs, Crowdfunder, Wellfound, and StartEngine.

The Jumpstart Our Business Startups (JOBS) Act created an exemption under the federal securities laws so that companies can use equity crowdfunding to offer and sell securities to the general public (as opposed to accredited investors only).

However, certain equity crowdfunding platforms (e.g., AngelList) still require that investors be accredited. The U.S. Securities and Exchange Commission (SEC) provides more information about equity crowdfunding.

In **product crowdfunding**, backers are given products or other perks in exchange for their contribution. Typically, these incentives include samples of the product, branded company swag (like t-shirts and stickers), or samples or subscriptions from partner companies.

Note that in product crowdfunding, contributors are not "investors" since they do not receive an equity share, and "investment"-based language should be avoided so as to not mislead backers. Kickstarter and Indiegogo are examples of product crowdfunding platforms.

While product crowdfunding provides the opportunity to raise equity-free money, in order to incentivize people to contribute, you will need to provide perks that potential contributors value at a roughly equal amount to their monetary contribution. You will also likely need to spend some marketing dollars to ensure the success of the campaign.

Still, raising money is not the only goal of product crowdfunding. Other goals of product crowdfunding might include developing your product/market fit, identifying and gaining the support of your early adopters, and demonstrating traction to future investors.

Since the earnings of product crowdfunding are treated as taxable income, we recommend talking with a CPA about your tax liability before conducting a product crowdfunding campaign. There are also legal considerations to be discussed, such as potential liability if you don't deliver on what was promised to your backers.

Venture Capital (VC) fundraising

If you decide to raise VC funding, we've already highly recommended reading Brad Feld and Jason Mendelson's book, Venture Deals, which provides a concise yet comprehensive introduction to raising VC capital and evaluating terms of investment.

Law firm Riggs Davie's Guide to Negotiating a Venture Capital Round, Y Combinator's guide on How to Raise a Seed Round, and Pitchbook's glossary of venture capital, private equity and M&A terms, and Parts IV and V of The Fidelity Guide to Starting a Startup provide additional information on the topics covered here.

Understand your legal needs and obligations

You will need a lawyer with experience in startup fundraising to help you through the VC fundraising process—not only to ensure you are complying with all state and federal securities laws, but to vet the terms of the deal.

Learn more about what new entrepreneurs should look for when hiring a lawyer.

Securities laws

Startups most commonly use equity or convertible debt vehicles to raise their first round of funding from VCs and angel investors. Equity and convertible debt are both securities whose transfer is regulated by federal and state securities laws. If you don't comply with securities laws, you could harm the value of your company and expose you and your company to potential civil and criminal liability.

As a broad overview, the Securities Act of 1933 requires that the offer and sale of securities **must be registered** unless an exemption from registration is available. This means anytime a company issues equity stock, options, convertible debt, or any other type of security as defined by 15 U.S. Code § 77b, the company must either comply with registration requirements of federal and applicable state securities laws or identify an applicable exemption from the registration requirements.

Registering an offering with the SEC would make your company a public company and impose significant new obligations that are both burdensome and expensive.

An early-stage company that is not yet ready to "go public" needs to identify an exemption each time it issues securities.

A lawyer can help startups identify the appropriate exemptions.

Once an exemption is identified, companies must comply with SEC filing requirements that are specific to the type of exemption being claimed. For example, for Rule 506(b)—an exemption commonly claimed in VC fundraising— companies must use SEC Form D to file a notice of an exempt offering of securities with the SEC, as well as provide additional information for any non-accredited investors involved in the round.

In contrast, for rule 4(a)(2)—the exemption often claimed for issuing founder's stock—there are no SEC filing requirements. You will also need to follow all procedures required by state securities laws, which vary by state.

The SEC provides more information on exemptions. This table of different types of exemptions includes issuer requirements, investor requirements, SEC filing requirements, and more. There are also newer types of exemptions that have become available to startups more recently, including exemptions related to equity crowdfunding.

SEC Form D **must be filed within 15 days after the first sale of securities in the offering**. SEC provides a compliance guide on Form D. It is important to note that Form Ds are public and can be viewed through the SEC's EDGAR database.

Decide how much money to raise

A funding round is a discrete round of investment in which a company offers securities to investors. Funding rounds are usually about 12–24 months apart. Anything shorter would mean that your team would have to start preparing for the time-consuming process of fundraising shortly after closing the previous round, and anything longer might require raising so much money in a single round that it would be difficult to attract investors or obtain favorable terms.

Companies sometimes raise a bridge round, or a small funding round between two larger funding rounds, but this is usually only done if the company is running out of money. Table 1 on the following page describes the different types of funding rounds and the typical timing, amounts, and sources.

Consider how much you would need to raise to get your company to a defined "**de-risking event**," or a point where you have increased the value of your company more than the investment that was put in. Examples of de-risking events might include building a manufacturing facility, producing a prototype, achieving a measurable R&D accomplishment, launching a product, or generating revenue.

Questions to ask yourself include:

- What do we hope to achieve before our next round of funding?
- How much money do we need to achieve those accomplishments?
- What are the measurable milestones that investors can hold us accountable to?
- What, specifically, will we spend the money on?
- What is our contingency budget if things don't go as planned?
- What will we have to show when the funding is deployed? In other words, how will this money add value to the company?

Identifying a de-risking point and making a detailed budget for how to get there will help with your strategic planning and will also help to increase investors' confidence that their investment in your company will lead to returns.

Table 1: Typical VC funding rounds

	Pre-seed	Seed	Series A	Series B	Series C, D, E
Stage	Formation, business plan development	Founding to launch	Post-launch	Growth	Growth and expansion to harvest event
Median deal size (2025)	<$1MM	$3.8MM	$14MM	$32.4MM	Series C: $56.6MM Series D: $100MM
Common investors	Founders; family and friends; angel investors; accelerators	VCs; angel investors	VCs; strategic advisors	VCs; strategic advisors	VCs; strategic advisors; private equity firms

Venture Monitor, Q3 2025

Create a pitch deck

A pitch deck is a brief visual presentation that provides more details about your company and includes sections that aren't in your elevator pitch.

As its name suggests, you will use your pitch deck to pitch your company to potential investors and business partners, including VCs, angel investors, and accelerators. You will likely be pitching in a variety of different environments, ranging from large pitch competitions to one-on-one meetings with VCs, so it's important to tailor your pitch deck to the appropriate length and structure for the audience. As such, you might have several different versions of your pitch deck, each tailored for different audiences.

In general, pitch decks for early-stage companies are about twelve slides. The following structure is suggested by Pitching Hacks:

1. Cover
2. Summary
3. Team
4. Problem
5. Solution
6. Technology
7. Marketing
8. Sales
9. Competition
10. Milestones
11. Conclusion
12. Financing

While this particular slide order might work for you, the most important piece of advice is to tell a story.

While it's common to cover each of these topics, a well-structured deck tells a compelling story about your company and that puts your best foot forward (as in, early in the presentation). If your team is a perfect fit to solve your problem, if you already have impressive sales, or if your technology is highly dependable, feature that information in a prominent place in your deck.

The best pitch decks have a clear ask for how much money you're raising, what you intend to use it for, and what milestones the funding will enable you to achieve.

You can create the first draft of your pitch deck using software like PowerPoint, Keynote, or Google Slides, but unless you have significant design experience, it can be extremely helpful to engage a graphic designer to help you refine this content into an aesthetically appealing deck. Hiring a designer can make your deck look more professional and lends credibility to your company.

Investors typically expect a PowerPoint version of your pitch deck when presenting live, but if you're sending it to a VC for reading purposes, a PDF version is typically preferable.

While most investors are professional enough to treat pitch decks as confidential by default, there is always a risk that it could be redistributed. There are some steps you can take to prevent this from happening. For example, you might include phrases like "CONFIDENTIAL/PROPRIETARY" and "Prepared for [Name of VC]" on the title slide of your deck. If there's any information that you absolutely must keep confidential, don't include it in your pitch deck.

Identify potential investors

In identifying target investors, you need to understand each firm's investment mandate or investment policy statement. In other words, what types of investments fall within its scope, and what types of things the firm values in making investment decisions.

Understanding an investor's mandate prior to approaching them will help you to avoid wasting anyone's time (including your own) and target the most promising investors. You can glean information about a firm's investment mandate by looking at its website and researching its past investments. For example, on Tyson Ventures' website, you can find the four pillars that all of its investments must fit into (alternative proteins, food waste, food insecurity, and food safety) as well as a list of its portfolio companies.

If your company doesn't fit into one of these four pillar areas or you're in a totally different stage of growth than the portfolio companies, it probably would not be fruitful to approach Tyson. If there is alignment, then you will be better informed to tailor your pitch to what you know that investor is looking for.

Most broadly, VCs that invest in alternative protein companies can be categorized into four types of investors: impact investors, food and agriculture investors, generalist investors, and strategic investors.

Impact investors

Impact investors are mission- and financially-driven investors who might focus exclusively on investing in alternatives to animal products, or on broader issues such as environmental sustainability and health.

Some impact investors that invest primarily in alternative protein companies include Unovis Asset Management, CPT Capital, Lever VC, Stray Dog Capital, and VegInvest. Because of their highly-aligned mission focus, these investors are often the most willing to fund companies in their earliest (and therefore highest-risk) stages, though they will still expect companies to have some traction.

Impact investors that have a broader focus beyond alternative proteins include firms like Obvious Ventures, Closed Loop Partners, and Radicle Impact.

Food and agriculture investors

Food and agriculture investors are financially-driven funds that primarily or exclusively invest in food and/or agriculture companies. Some examples of food and agriculture investors include S2G Ventures and Closed Loop Capital. Various other food and agriculture investors can be found in AgFunder's AgriFood Tech Investing Report.

Generalist investors

Generalist investors are financially-driven funds that invest in a wide variety of areas, though usually in tech. Some generalist investors that have invested in companies in the alternative protein space include Khosla Ventures and DFJ. Generalist investors are usually not involved in seed rounds, but rather invest in later rounds once the company has demonstrated substantial traction.

Strategic investors

Strategic investors (sometimes called strategics) are corporations or their affiliated funds that invest in or acquire startups to achieve strategic goals. These goals might include expanding their product line, boosting innovation, or mitigating the risk of being disrupted.

Tyson Ventures and General Mills' 301 Inc. are examples of strategics that have invested in Beyond Meat. Big food companies, suppliers, distributors, and import/exporters can all make beneficial strategic investment partners, not only for the money that they invest, but for the services and resources they can provide, such as production space or distribution infrastructure.

Strategic investors are usually not involved in seed rounds, but rather invest in later rounds once the company has demonstrated substantial traction. However, there are several corporate incubators that will invest in companies at the earliest stages, such as the Chobani Incubator and Pepsi's Greenhouse Accelerator.

Get introductions and pitch to investors

VCs can get dozens or even hundreds of inquiries per week, so getting yours to stand out is critical for opening a dialogue. Rather than sending an email cold, getting an introduction from an intermediary whom the VC trusts (perhaps an entrepreneur they've invested in or a fellow investor) can be an effective way to get the VC's attention.

This introductory email could be a written (<100-words) version of your elevator pitch or a 20- to 30-second speech intended to pique the audience's interest about your company. The purpose of the elevator pitch is not to close the deal—it's to interest the audience in continuing the conversation.

Your middleperson is meant to persuade investors into reading (or hearing) your elevator pitch. The elevator pitch sells investors on reading your deck. And the deck sells investors on taking a meeting.

When asking a middleperson for an introduction to a VC, good practice is to use a brief elevator pitch email that allows them to reply and loop in the VC as an introduction.

It's generally not recommended to ask the investor to sign a non-disclosure agreement (NDA) in this introduction email—this can rub investors the wrong way and lead to your email being ignored. Depending on how novel your technology is, you may or may not want to ask the investor to sign an NDA later in the process.

If you do land a meeting with a VC, prepare by practicing your pitch and researching the VC, including their investment mandate, their investment history, and the individuals involved in the deal. This can help you to tailor your pitch to be most effective to the audience. When you meet with the VC, make sure you bring product samples if you have them (or offer to send product samples if it's a virtual meeting).

Photo courtesy of: Presentation Hacks

The above graphic from Presentation Hacks, attempts to answer the question: what do investors care about most? Some of these terms are self-explanatory, but we'll spend some time on two that might not be: social proof and traction.

Social proof is the psychological phenomenon that people will conform to the actions of others under the assumption that those actions are reflective of the correct behavior. Social proof is a powerful tool for marketing to consumers, but it can also be powerful for getting investors on board.

Some common ways of demonstrating social proof are customer testimonials, ratings and reviews, celebrity/influencer endorsements, media mentions, and follower counts.

Traction is a measure of your product's engagement with the market—in other words, your product-market fit. The most powerful type of traction is paying customers, which can be measured by profitability or revenue.

If you don't yet have paying customers, the next best thing is demonstrated interest by potential customers. In the food industry, this might mean retailers, foodservice operators, and distributors who want to carry your product, or consumers who are interested in purchasing it. The types of traction you'll be expected to have will vary greatly depending on the nature of your company. A cultivated meat company, for example, would likely not be expected to be generating revenue or even have a prototype by the time they raise their seed round. On the other hand, a plant-based company creating a relatively low-tech product (e.g., baked goods) would likely be expected to have established sales and distribution prior to raising a seed round.

Term sheets

If the entrepreneur and investor decide to move forward, the first major step toward closing a deal is signing a term sheet. A term sheet is a document that lays out the terms of the proposed investment.

In each funding round, the lead investor will typically draft the term sheet and negotiate its terms on behalf of all investors in that round. It is critical that you understand each term in your term sheet and pay attention to how each term will affect your company's future, not just this immediate round of investment. Working with your lawyer to review the term sheet, and later, closing documents, is recommended.

It's important to note that signing a term sheet does not constitute a legal commitment to move forward with the funding. The transfer of funds does not occur until after due diligence is conducted and closing documents are signed.

However, some provisions of the term sheet may be legally binding. Some terms that are usually binding are confidentiality provisions (which require that the company not disclose certain information about the deal) and "no shop" provisions (which require the company to work in good faith toward closure of the deal and not solicit offers from other investors for a period of time).

Understanding which provisions of the term sheet are binding and non-binding will help avoid unwelcome surprises in the process of closing the deal. Another strategy for avoiding surprises is to be as detailed on the term sheet as possible without getting to the point of deal fatigue. Detailed term sheets are preferable from the entrepreneur's perspective, since vague term sheets give investors a large amount of wiggle room when drafting the definitive agreements that will close the deal.

The National Venture Capital Association provides a number of model legal documents, including a sample term sheet. Each section of this term sheet contains alternate variations, each of which might present different advantages or disadvantages for investors or founders, and are potential points of negotiation.

The book *Venture Deals* also goes into detail about what each term means and its relative importance, ranging from deal-critical items to things the author Brad Feld argues you shouldn't waste lawyer fees to negotiate.

Here, we discuss a few of the financial terms of the control sheet (regarding how money is distributed in a liquidity event) and control terms of the term sheet (regarding investors' decision-making power). However, the content provided here should not be treated as an exhaustive list—refer to the above resources for more complete information.

Financial terms

The most basic financial term is the **share price**, or the price that investors pay per equity share. Multiplying the share price by the number of shares purchased equals the total amount of the investment.

In order to set a share price (which determines the number of shares an investor gets for a fixed investment amount), the investor(s) and entrepreneur(s) decide on a **valuation** for the company.

There are two types of valuation: **pre-money** and **post-money valuation**. Pre-money valuation is the value of the company prior to the investment, and post-money valuation is the value of the company after an investment has been made.

Carta explains in further detail the relationship between share price, number of shares, and pre- and post-money valuation. Although these equations describe the relationships between these variables, keep in mind that there is no formula for deciding what a specific company's share price or valuation should be.

The process for determining valuation is subjective and somewhat arbitrary, especially for pre-revenue companies. Typically, the entrepreneur(s) and investor(s) negotiate a post-money valuation, and then subtract the investment amount to arrive at the pre-money valuation. Alternatively, the entrepreneur(s) and investor(s) could negotiate the pre-money valuation and add the investment amount to arrive at the post-money valuation.

When negotiating valuation, it's important to be on the same page as your investors about whether you are negotiating pre-money or post-money valuation. For example, if an investor were to invest $5 million at a *post-money* valuation of $20 million, the investor would own 25 percent of the company. In contrast, if an investor were to invest $5 million at a *pre-money* valuation of $20 million, the investor would own 20 percent of the company (since the post-money valuation would be $25 million).

During the process of negotiating valuation, it is important for entrepreneurs to understand that valuation does not equate to market value. Investopedia explains why.

Another important financial term is **liquidation preference**. Liquidation preference is one of the factors that determines who gets paid how much in a liquidity event, such as the sale of the company. Liquidation preference is a protective term for investors.

Investors hold preferred stock, while founders hold common stock. In a liquidity event, holders of preferred stock get paid in full before holders of common stock get paid anything. In other words, in cases where the company is sold for less than the investors are owed, the entrepreneurs, employees, and all common stockholders get nothing.

A 1x liquidation preference (which is common) means that preferred shareholders get repaid for their full investment amount before common shareholders get paid anything. Be very wary of multiples greater than 1x preference—a 2x preference means you must pay investors back twice (2x) the amount they invested before anything is distributed to common stockholders, a 3x preference means you must pay back three times (3x) the original investment, etc. Unless your company is extremely successful, it's easy to end up with very little money left over for common shareholders after an aggressive liquidation preference is paid out.

Aside from preference (the multiple), other aspects of liquidation preference include participation and seniority structures.

The potential consequences of an aggressive liquidation preference demonstrate why it's important to understand every term in your term sheet and how it could impact you and your company in the future.

Aside from share price and liquidation preference, other financial terms include pay-to-play, vesting, exercise period, employee pool, and anti-dilution.

Control terms

Control terms define investors' decision-making abilities over operations, strategic changes, and major events.

One of the important control terms of a term sheet is the **board of directors clause**. This clause typically sets the size of the board and the process by which each member will be elected. In most cases, the investors for any particular funding round will expect the right to select a member of the board of directors, and they may also request the right to select a non-voting board observer.

Aside from the board of directors clause, other control terms include **protective provisions**, which give preferred shareholders the right to veto specific corporate actions, and **drag-along rights**, which enable majority shareholders to compel minority stakeholders to sell their shares.

Managing your board of directors

One of the critical roles of a startup founder—and one of the most overlooked—is the management of the board of directors. Done right, it will help the board to add value to the organization far beyond the financial investments they may have made. Done poorly, and it can lead to distractions and headaches that take time, attention and energy away from actually making the business work.

A startup's board of directors can provide numerous benefits:

- Mentoring and guidance through the business challenges faced (both expected and unexpected)
- Financial oversight to keep the business as healthy as possible
- Strategic planning advice and ratification
- Connections with their business and even personal networks
- Objective "outsider" perspectives on your business

When assembling your board, consider what skills you would like to have available to you. Ideally, these skills would be complementary to those of the founding team. Many startups seek board members who have experience that is relevant to the business—not necessarily in the same industry, but sufficiently similar that their experience can be applied to the business at hand. Also consider their network connections, as an expansive network can be very helpful as unexpected issues arise.

Managing a board involves more than just meeting management (although effective board meetings are very important). Ongoing, regular communication with board members between board meetings is at least as important. Actively seek advice, inform them of developments, or just have check-in conversations. You want to have developed a strong, trusting relationship with your board members long before challenges test those relationships.

Capitalization tables

Companies typically use a capitalization table (or cap table) that lists your company's securities and who owns them. While your lawyer can help you create your cap table, it is ultimately your responsibility to ensure that your cap table is accurate and up-to-date.

Most startups use Excel to manage their cap table. There are software options for cap table management, but they are often less customizable than Excel. Cooley GO and Venture Hacks both provide free Excel cap tables that can be customized to meet your company's needs. Alexander Jarvis provides an example cap table that includes built-in waterfall analysis for many scenarios.

Liquidation analysis

It is important to keep in mind that while cap tables show who owns what percentage of the company, they do not show how each of these shareholders will get paid in a liquidity event.

If all shareholders owned common stock, the cap table would accurately reflect how funds are distributed in a liquidity event (the funds would be distributed according to percent ownership of common stock). However, in reality, investors (who own preferred stock) get paid in full before founders (who own common stock) get paid anything.

Using your cap table and term sheet (or hypothetical terms) as inputs, **waterfall analysis** is a tool that can be used to model who gets what in a liquidation event.

Due diligence

After (or sometimes before) the term sheet is signed, investors begin to conduct due diligence on the company. During this process, investors will do a deep dive into your business and technical plans, financial statements and models, and various other legal, operational, and financial documents.

Cooley GO has a sample due diligence checklist of documents that investors commonly request. It's best to have these documents ready prior to beginning the fundraising process so that you can provide them upon request without causing delays. If you take too long to provide these documents, it could indicate to the investor that you're unprepared, which could negatively impact your negotiation power or even end the deal.

It's important to ensure that your documents are well-organized and founded in facts. Be prepared to answer very specific questions about assumptions you made during financial modeling or the source for facts and figures you use.

During the due diligence process, the company should conduct due diligence on the investor, too. Investment is a long-term business partnership, and it's important to be confident that you're entering into this commitment with a competent, capable, partner who can add value to your company beyond just funding. This might include doing online research, talking to their portfolio companies or co-investors, and examining their funding source and investment history.

Closing the deal

After the investors complete the due diligence process, lawyers will draft the closing documents to complete the deal. As in the due diligence process, it's important to continue to be responsive and make an effort to close the deal on a reasonable timeline. After the deal is closed, the funds are transferred. At this point, you've successfully completed a VC fundraising round.

However, it's important to keep in mind that this is only the start of your journey with your investors. After the deal is closed, VCs often provide introductions and strategic guidance around distribution, branding, positioning, hiring, pricing, financial modeling, and more. Strategic investors might provide even more tangible services such as access to production equipment and infrastructure. As an entrepreneur, part of the job is to foster relationships with your investors and leverage them to help your company succeed.

Request mentoring through GFI

Seeking support with fundraising strategy, finance, investor relations, pitching, or negotiation?

Connect with industry experts through GFI's mentor program, who can offer guidance from funding strategy to branding and business strategy to supply chain and talent acquisition.

Learn more and request mentorship →

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Section IV: Product development

The product development process will look different for different types of companies. For example, a cultivated meat company will likely begin product development in a pilot facility, while a plant-based ice cream company might begin recipe testing in a home kitchen.

However, regardless of your end product, there are product development frameworks you can use to help structure the innovation process. For example, the OODA Loop and the Stage-Gate frameworks can guide your product development process to help you achieve a desired end product as efficiently as possible. We've also included a framework on how product development usually works in the food industry.

As early as possible in the product development process, consider how to scale up your production process. You'll also need to find somewhere to manufacture and package your product (ideally in the same place), and conduct a variety of in-house and outsourced tests to ensure product safety and quality assurance. Depending on your product, many companies also perform consumer testing to gather feedback from consumers in the target market, which will inform iteration on product development and marketing.

There are some topics that you'll need to consider throughout the entire process of developing and producing your products, and two of those topics are intellectual property (IP) protection and regulatory considerations. IP protection includes ensuring that the company's IP is legally owned by the company, making a plan for how to use patents, copyrights, trademarks, and trade secrets, and working with your lawyer to implement non-disclosure agreements (NDAs) as appropriate.

In terms of regulatory compliance, your company will need to be familiar with regulations at the federal, state, and local level. On the federal level, plant-based foods are regulated by the Food and Drug Administration (FDA), and the Food Drug and Cosmetic Act (FD&C Act) and Food Safety

Modernization Act (FSMA) are important federal laws that apply to all establishments that manufacture/process, pack, or hold food for human consumption in the U.S. On the state and local level, there may be additional regulations you need to comply with, such as obtaining health permits and complying with an annual inspection. You will also need to consider the regulatory component of food labeling, including topics like ingredient lists, allergen statements, statements of identity, nutrient declaration, net contents declaration, and label claims. Companies producing cultivated meat and poultry products are also subject to USDA oversight.

And you'll need to make a recall plan in preparation for potential food safety issues, including establishing robust traceability procedures that require accurate recordkeeping of lot codes and barcodes. Finally, if you are using any novel food ingredients or processing methods that have not yet been introduced to the food supply, you'll need to determine its regulatory status and make a plan for how to introduce it to the market.

Product development frameworks

Observe-Orient-Decide-Act (OODA) Loop

A common type of approach for technology startups can be classified by the terms "lean," "agile," or "lean/agile." A variety of specific approaches fall under such a classification, but they have some common themes:

- Focus on learning as quickly as possible;
- Achieve learning through experimentation;
- Plan your experiments to learn as much as possible while spending as little as possible;
- Be willing to adjust or even completely change your direction based on what you learn.

Eric Ries, author of *The Lean Startup*, recommends a three-step "Build-Measure-Learn" process, while other "agile" advocates frame the process as the Plan-Do-Check-Act (PDCA) cycle.

A comprehensive model of these types of cycles can be found in the Observe-Orient-Decide-Act (OODA) Loop. The steps of the OODA Loop are:

- **Observe:** Observations are the inputs that feed into your decision-making process. Such inputs include internal factors (mission; values; strategy; available resources, skills, capabilities, etc.) and external factors (environmental circumstances, trends, events, urgencies, opportunities, etc.)
- **Orient:** This step involves making sense of the available data. Data must be filtered, sorted, and processed into a cohesive story. There is great value in a diverse team analysis at this point, blending multiple perspectives, experiences, and analytical methods to come to a common conclusion. Having people who think differently come together to make sense of ambiguous information is vital.
- **Decide:** In the context of the OODA loop, the "decide" step is to make a choice among several alternative actions to take. In essence, you generate a hypothesis that doing action X will lead to desirable outcome Y. This hypothesis follows from the sense you've made of the available data. A key question to ask yourself before moving onto the next phase is, "what would prove to me that my hypothesis is wrong?" Asking this question helps to design the experiment (meaning the action you will take) and measurements you will take.
- **Act:** Test the hypothesis by taking action (conducting an experiment that tests the validity of the hypothesis) and measuring outcomes. Be as objective as possible in measurement and interpretation of the results.

Every step of the OODA Loop provides feedback to the observations phase of the next trip through the OODA loop, which can include both qualitative and quantitative data.

Stage-Gate process

Another common process for product development is the Stage-Gate process. As organizations grow in complexity, and as investments they make become bigger or riskier, this process provides a set of strategic decision points that help to mitigate that risk.

The basic concept of the Stage-Gate process is to have a series of decision points ("gates") that determine if further investment in a project is merited. Early in the life of a product development project, there are many unknowns. Each "stage" of development is intended to answer questions around some of those unknowns.

Most product development projects will prove to be unviable, either financially or technically. The key idea behind the Stage-Gate process is to only slowly commit funds to any particular project. Each stage involves investing as little as possible to learn as much as possible that will contribute to decisions on whether to continue investing in a project or not. Each stage tends to commit an increasing level of investment in time, money, and energy that must be justified before deciding to commit to the next stage of investment.

A typical Stage-Gate process consists of five stages and five gates. However, this need not be a one-size-fits-all approach. Each organization can tailor the process to their specific needs. Considerations that would impact the number of stages and gates include size of the organization, pace of change in the industry, risk tolerance, and size of the investment in a particular set of projects. It's common for organizations to have more than one process defined, with fewer stages and gates for simple, low-risk investments, and more for complex, high-risk investments.

The stages of this standard process are:

Stage 0 | Discovery: Before generating product ideas, gather data about the world in which you operate. In innovation circles, this is often known as the "fuzzy front end." It involves observing a market space, collecting data, and making sense of that data, much like in the observe and orient phases of the OODA Loop. The key point is to generate insights on the target market that will allow you to create unique and valuable goods and services. The end of this stage involves generating a range of ideas to consider for development.

- **Gate 1:** Decide which ideas will receive further investment of staff time to refine and support. Eliminate ideas that are not worthy of investment.

Stage 1 | Scoping: For each idea selected to pass through Gate 1, assess the market potential, strategic fit, and technical merits. This step involves minimal financial investment, as assessments are usually based on available data.

- **Gate 2:** Decide which ideas have sufficient strategic, financial, and technical merit to invest more staff time and external research in continued development. Eliminate ideas that do not meet minimum criteria for additional investment.

Stage 2 | Business case: Invest greater time and energy in developing specific technical, marketing and business feasibility. Create a business case that addresses product and project definition, justification, and plans for development. Spend time and money conducting research to better address project feasibility and establish reasonable forecasts.

- **Gate 3:** Decide which projects have business cases that justify continued investment in development. Eliminate ideas that do not meet the criteria for investing limited development resources in them.

Stage 3 | Development: Design and develop the new product. This will involve significant investment in prototyping and evaluating the performance of those prototypes. Development will be an iterative process, following the OODA Loop or similar sorts of thinking. As this stage proceeds and the product becomes more clearly defined, you will create plans for manufacturing the good (or delivering the service), marketing the launch, sales strategies, and overall operations plans.

Note: although the next stage is called testing and validation, you don't have to wait until then to test the product concept and performance. That can be done iteratively throughout the development stage.

- **Gate 4:** Decide which projects deliver product performance, financial viability, and strategic fit worthy of further pursuit. Eliminate projects that do not meet the criteria for moving forward.

Stage 4 | Testing and validation: Validate that the entire project is ready for launch, including product performance, customer experience, the production/manufacturing process, marketing plans, sales plans, and the financials of the project. Validation can involve large-scale product testing, test markets, and full-scale manufacturing trials. Investment at this stage is significant and is generally reserved for those projects that have a high probability of success. Note: to reiterate the message of the previous stage, testing and validation is typically conducted iteratively in the development stage as well. This separate stage 4 is the final test of the whole project to ensure launch viability in all aspects.

- **Gate 5:** Decide which projects are worth the final stage of scale-up to a full launch. Eliminate any projects that don't meet stringent launch requirements.

Stage 5 | Launch: This stage is the highest level of investment and is generally reserved for those projects that have met the most stringent of launch criteria. This stage involves full commercialization of the product—the full production, distribution, sales and marketing.

Post-launch review: This is perhaps the most important long-term step; yet few organizations do it well, if at all. It is important to review the actual results of the launch, compare them to the expected results, and learn all you can about why there are any differences between the two. What you learn here will help to improve product development success in future generations.

Food industry product development

A food-specific variation on the Stage-Gate framework is provided by Oh For Food's Sake. As with any model, it's important to note that these are not hard-and-fast stages, but conceptual in nature. Inside each stage will be an iterative process of experimentation, testing, and refining.

The first stage, **the brief**, involves stating the problem that needs to be solved by the new food product.

The second stage, **market research**, involves evaluating the market for the new food product and assessing desired attributes. In addition to market feasibility, it's also recommended to evaluate the technical and commercial feasibility of the new food product.

The third stage, **design specification**, involves listing the needs and attributes of the product, which are referred to as its specifications, like:

- Size
- Shape
- Shelf life—note that distribution channels can be quite slow and require extended warehousing at both redistributors and distributors
- Weight
- Sensory characteristics (taste, texture, appearance, etc.)
- Costs
- Ingredients—consider any restrictions (including allergens) enforced by your target retailers or foodservice operators
- Equipment
- Attributes (e.g., organic)

The fourth stage, **shortlisting and testing**, involves developing a number of different formulations (prototyping) and testing them to evaluate how well each idea meets the design specifications.

Companies often gather consumer feedback during this step through product sampling and other forms of consumer testing, and use those findings to inform product development in an iterative fashion.

The fifth stage, **manufacturing specification**, involves developing a protocol for how the product will be manufactured at scale.

The sixth stage, **quality control**, involves ensuring that the product is safe and is being manufactured to consistently meet the design specifications.

Food scientists specializing in product development (as opposed to quality assurance) can help you develop and scale up your formulation.

One alternative to hiring a food scientist for product development is to formulate your products through an ingredient supplier. Many suppliers provide formulation services in exchange for an agreement to source ingredients through them. However, if you do go this route, it's important to work with a lawyer to clearly define who owns the formulation IP and other terms of the agreement. UL Prospector's food ingredient database can help entrepreneurs find suppliers and source ingredients.

If you need specialized equipment like an extruder for plant-based meat production, you might consider doing product development through a pilot plant. A pilot plant is a small-scale food processing facility, usually within a university, that is used for research and training purposes and is sometimes available to the public for contract work. Pilot plants often have food scientists on staff to help with product development. GFI's global map of accelerators and incubators also has a listing of pilot plants.

GFI's map of accelerators and incubators

Discover accelerators and incubators around the world that can provide early-stage resources for alternative protein entrepreneurs. Use the map to find programs by location, or filter by category, focus area, length, or offerings.

Scaling up and hiring a food scientist

Whether you're working on cultivated meat or cashew cheese, your production process will be very different at scale compared to the early stages of product development.

Companies with a long timeline to commercialization might find that initially using processes that are not scalable might actually help speed up progress in certain areas. For example, a cultivated meat company might use non-food-grade materials in its media to expedite the R&D process, then later phase out these components prior to commercialization.

However, it's important to keep scale-up front-of-mind throughout the product development process. Otherwise, you might end up wasting a lot of time perfecting a process that ultimately isn't scalable and needs to be replaced with something else.

Due to the complexities of scaling up a food production process, it's recommended to hire a food scientist as soon as you decide to sell your food product through retail or foodservice channels. Food scientists specializing in product development can provide assistance with product formulation and manufacturing processes at scale. They can also help develop protocols for product testing and quality assurance.

If you decide to hire a product development food scientist, you can either hire an independent food science consultant or a food consulting company. Food consulting companies tend to be more expensive but have broader expertise since they have numerous food scientists with various areas of expertise working as a team.

Professional organizations like IFT can also be helpful in identifying options. You might also try reaching out to universities with food science programs (both undergraduate and graduate) to expand your search through their alumni networks or using other recruiting methods like LinkedIn outreach.

Manufacturing

Due to the high costs and regulatory requirements associated with setting up your own manufacturing facility, manufacturers usually choose to produce their products at an existing facility when they're getting started.

There are many different types of production facilities that food entrepreneurs can use; three of the most relevant are commercial kitchens, food incubators, and co-packers.

A **commercial kitchen** (also known as community kitchen or shared-use kitchen) is a facility that provides food processing space and small scale equipment, usually for rent on a time-duration basis. There are a number of online databases to help you find a commercial kitchen in your area:

- Specialty Food Co-packers Directory of Commercial Kitchens
- Culinary Incubator
- Kitchen For Rent
- The Food Corridor

A **food incubator** is much like a commercial kitchen, in that it provides food processing space and small-scale equipment, usually for rent on a time-duration basis. However, food incubators also provide various types of business development services. GFI's global map of accelerators and incubators can help you find a food incubator in your area.

A **co-packer** (also known as **co-manufacturer**) is a production facility that uses your IP to manufacture and/or package products on your behalf in exchange for a fee, usually either based on the quantity of items produced or the amount of time it takes to produce them. In contrast to commercial kitchens and food incubators, co-packers provide the labor to produce your product in addition to the production facility. Since co-packers usually have a minimum production quantity, most manufacturers start out in smaller-scale facilities like a commercial kitchen or food incubator before moving on to a co-packer and eventually building their own manufacturing facility.

Since using a co-packer requires that you share your formula with them, it's important to consult a lawyer to implement a contract to protect your IP.

Some important criteria to look for in a co-packer include:

- The right equipment for your product
- Location
- Third-party safety certification (e.g., Safe Quality Food Institute's SQF Program)
- Minimum order quantity that's not too high for you
- Transparency (they let you see the facility, answer all your questions, and seem to communicate in an honest and straightforward way)
- Food certifications that you may need (e.g., kosher, organic)

Before you communicate with a co-packer, you should be prepared to discuss your process and your estimated annual volume. When you meet in person, it can be good to bring a food scientist along.

A number of directories exist to help you find a co-packer, including the Specialty Food Co-Packers Directory and the Specialty Food Association co-packers directory. Services like PartnerSlate may also be useful for identifying co-packers and other food industry partners. These articles from Food+Tech Connect and Consolidated Label Co. can help you identify important factors to consider when selecting a co-packer.

Packaging and labeling

Like food production equipment, packaging equipment can also be highly specialized and expensive. Thus, most early-stage food businesses choose to package their products at an existing facility, preferably in the same place that manufacturing is performed.

Packaging materials

A number of recent innovations in packaging have provided increased shelf-life, sustainability, convenience, and food safety. Your food scientist, co-packer, or manufacturing facility can help you understand what packaging options are available to you. Especially when starting, try to use stock packages as much as possible, which you can customize quickly and inexpensively with printed labels. IFT provides a summary of packaging options and what to consider when selecting packaging materials and methods.

When selecting packaging materials, it is generally a good idea to perform quality assurance tests to determine how well different packaging options maintain your product quality in various conditions.

Your packaging needs will vary depending on whether you intend to enter the retail or foodservice market. Retail packaging is consumer-facing and therefore requires marketing efforts to make the product appealing to consumers.

Foodservice packaging, however, is not consumer-facing. Foodservice buyers prefer no-frills packaging that prioritizes function over form. Sturdiness, ease of storage, and easy opening and discarding are desirable attributes in foodservice packaging.

Another difference between retail and foodservice packaging is that foodservice products will typically be sold in bulk sizes. One exception is that grab-and-go items sold through foodservice channels (e.g., a bag of chips at Subway) will still need to be packaged and labeled for individual sale. Foodservice pricing is often quoted in portion sizes—a $0.50 per serving price is typically an easier sell than quoting the gross case cost.

Whether you're selling in retail or foodservice, it's wise to talk with your downstream supply chain customers (e.g., distributors, redistributors, retailers, foodservice operators) to make sure your product packaging sizes and case sizes meet their needs. It's important that your products fit appropriately on retail shelves, in warehouses, and in trucks and other forms of transportation.

Food labeling for marketing

The average consumer looks at a brand for just a couple of seconds before making a purchase decision. In the very short time a person scans a supermarket shelf, how well will your packaging perform?

Successful package design must clearly answer the following key questions for consumers: Who am I? What am I? Why am I right for you?

We recommend hiring a professional designer to make your packaging as visually appealing as possible while ensuring the correct hierarchy of communication. You might also consider using focus groups, eye tracking studies, or other consumer testing techniques to evaluate the effectiveness of your packaging design prior to rolling it out. You can create mockups of your product on-shelf to examine how it looks in a retail context among competitors in the category and, if you have multiple products in retail, whether it creates an effective brand block.

As with other forms of marketing, effective packaging is designed with your target consumer in mind. For many startup brands with limited budgets, your packaging is likely to be one of your primary forms of marketing.

The first consideration is the context in which the consumer will see your product. Will it be shown on a shelf at room temperature, displayed behind a freezer door, or lined up in a refrigerated case? What section of the store will it be in? What other products will be nearby, competing and non-competing? If you will be offering multiple items next to each other, such as different flavors, you will want to ensure that the package designs you use complement each other for visual impact when lined up on a shelf. Make sure your product fits—literally and figuratively—in the context where stores will display it.

The principal display panel is the front-facing side of your product where the only most important information goes, such as brand name, product name, statement of identity, product photos, and net quantity. You might also include attributes (e.g., “free-from” claims) and certifications (e.g., vegan, non-GMO) that are important to your target audience.

Good package design follows a clear hierarchy of communication, with the eye being drawn to the most salient information first, then guided to other supporting items. Packaging design can also be extendable to other items as you grow your product line. Your packaging is effective if your target customers notice it on a shelf and quickly understand what it is.

It’s easy to imagine your products being stocked and displayed in ideal conditions, but in reality, not every store will display them effectively. Many new products are stocked at floor level or on the top shelf, where less people are likely to see them. Getting placement at eye level often requires paying the retailer a fee, and can be hard to get since most established companies take the premium space.

As such, it can help to make your packaging compelling from multiple angles, both a wide horizontal angle and the vertical angle (since your products may be on the highest or lowest shelf) and make it pop from four to five feet away, since most consumers scan shelves from that distance.

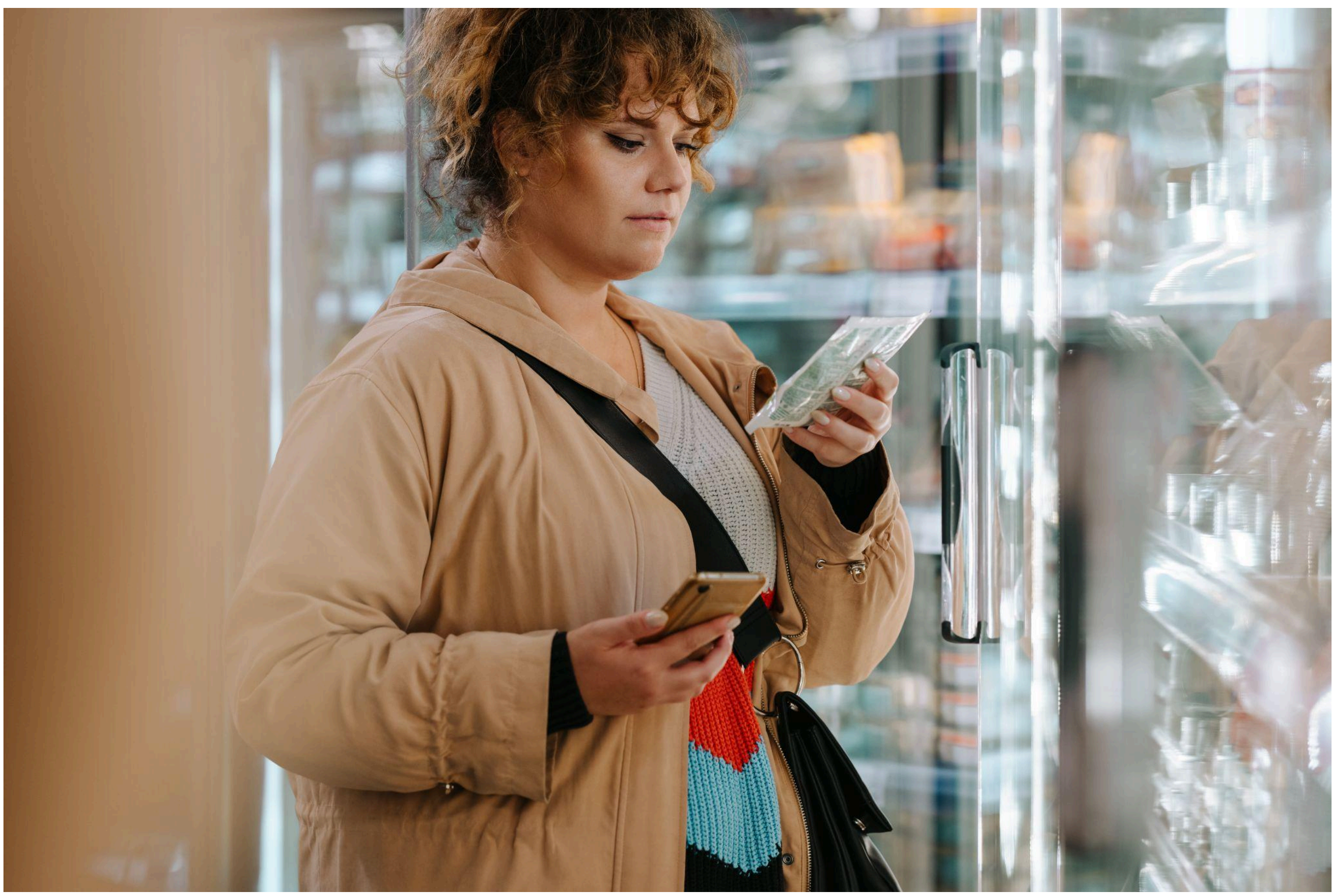

Photo courtesy of: Jacob Lund/adobe.stock.com

GFI consumer research on alternative protein product/ category nomenclature

Plant-based

GFI's consumer research shows that over 90 percent of U.S. consumers are familiar with the term "plant-based meat."

In a survey, when asked what name they thought best described the plant-based products they saw, consumers were most likely to choose "plant-based" beef/chicken/bacon/deli slices/fish filets, followed by the phrase "-made from plants."

Only about one in three participants said "-alternative," "meat-less" or "substitute" were best.

Precision fermentation-enabled

Research from GFI and GFI Europe found that consumers prefer "animal-free" as a modifier for products or ingredients made with precision fermentation (i.e., "animal-free whey protein"), once participants received a brief explanation of the precision fermentation (PF) process.

"Animal-free" was found to be the most appealing nomenclature option tested and the most effective term for differentiating PF from plant-based and conventional foods.

However, there may be a need for a variety of names and marketing propositions across various markets to account for different cultural meanings, motivations for consumption, and consumer expectations from products.

Cultivated

GFI research found that "cultivated meat" outperforms other terms like "cell-cultured meat" and "lab grown meat" on appeal, descriptiveness, and differentiation.

Plus, simple descriptors can increase cultivated meat's appeal and make consumers more open to purchase.

U.S. consumers responded most positively to components of descriptors that articulated cultivated meat's benefits.

Top performing words and phrases clustered around those that emphasized:

- Similarity to conventional meat (e.g., "100% / real meat," "looks/cooks/tastes like meat," "same as the meat we eat today")
- The nutritional value and quality of the product (e.g., "high-quality food," "antibiotic-free," "nutritious")
- The societal or environmental benefits of the product (e.g., "no sacrifice required," "humane/no kill," "sustainable")

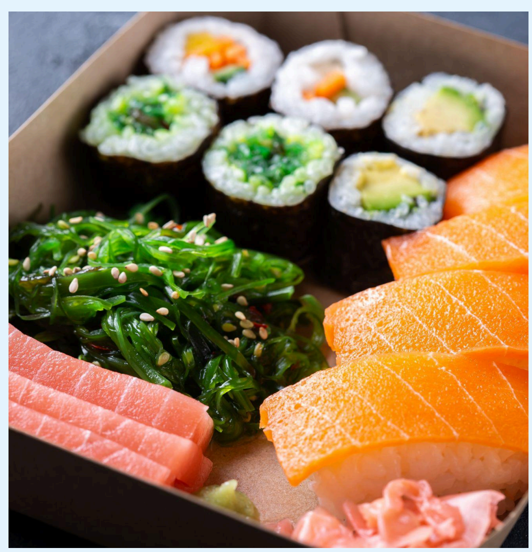

Photo courtesy of: aamulya/adobe.stock.com

Product testing and quality assurance (QA)

Product testing has many different purposes, including informing product formulation, determining shelf-life, and ensuring product safety and quality assurance. Your food scientist and/or production facility can help you understand when each type of testing is needed and which specific tests are appropriate for your product.

The four main categories of testing are:

- **Analytical testing:** Analysis of chemical and physical properties of food (e.g., pH, %acid, %salt, %moisture, water activity, %fat, color, viscosity, hardness, density, allergen testing, nutritional analysis)
- **Sensory testing:** Analysis of sensory properties of food (e.g., sweetness, saltiness, chewiness, savoriness)
- **Microbial testing:** Analysis of microbial activity in food (e.g., total plate count (TPC), yeast and mold)
- **Usage testing:** Analysis of consumer perceptions and experience of food (e.g., in-home usage test (IHUT), consumer focus groups)

During product formulation, sensory testing is often used to compare different iterations of the product and select the most appealing one. Companies might perform sensory testing internally or use focus groups to solicit consumer feedback. Testers might rank products according to a specific characteristic (e.g., from most salty to least salty) or they might rate products on a scale of one to five for each characteristic.

During shelf-life testing, various types of sensory, analytical, and microbial tests are conducted at set intervals over a period of time. Weekly testing is common for refrigerated products, and monthly testing is common for shelf-stable products. In some cases, accelerated shelf-life testing can be performed, in which the product is held at a higher temperature than normal so that results can be determined sooner. In shelf-life testing, microbial and analytical tests like pH can provide an indication that spoilage is coming before it can be detected through sensory testing.

Prior to beginning shelf-life testing, it can be important to run separate tests to confirm the product is as expected before spending weeks or months on shelf-life testing a product that was not produced to specification.

In addition to performing shelf-life testing under normal conditions, many companies also conduct testing to understand how their products respond to less than ideal conditions. It is always possible that your products will be exposed to heat, humidity, and physical stress during transport and distribution. It's important for entrepreneurs to understand how robust their products and packaging are to such conditions, and use this knowledge to inform improvements in product formulation and packaging design.

Another type of testing that incorporates various sensory, analytical, and microbial tests is QA testing. QA testing is an essential component of food safety plans, which all food facilities are required to have under the Food Safety Modernization Act (FSMA). QA tests are designed to safeguard food safety by detecting biological, chemical, and physical hazards that might be present within food, as well as establish that the product was manufactured as intended and meets the required specifications.

QA testing can also help establish that your products are being produced consistently each time, and that there isn't any unexpected variation due to ingredient supply, manufacturing errors, or other causes. Some QA tests are intended for in-line testing (i.e., prior to packaging), while others are used for finished product testing (i.e., after product packaging).

Normally, products from each production run are QA tested. For continuous processing, one sample per hour may be evaluated. Alternatively, samples may be evaluated from the beginning, middle, and end of each production run. For batch processing, a sample from each batch is often tested. Weight checks, metal checks, and temperature checks are often automated, with every package being monitored and automatically kicked off the line if non-conforming. QA testing is also performed on manufacturing equipment before, during, and after production.

Examples of different types of quality assurance tests include:

- Weight checks to make sure the product is the required weight
- Visual checks to make sure it looks the way you expect it to
- Temperature checks to make sure it is being kept at an appropriate temperature
- pH checks to make sure the food has the correct acidity/alkalinity
- Microbiological checks to make sure bacteria are not at harmful levels
- Chemical checks to guard against chemical contamination
- Metal checks to guard against contamination by metals (usually performed at the packing stage using a metal detector or x-ray)
- Organoleptic checks to check flavor, texture and aroma by sampling the food product

Co-packers, commercial kitchens, and food incubators also typically provide assistance with understanding which tests are needed and will often have the equipment and established protocols for performing tests in-house as part of their existing food safety plan. In many cases, co-packers and other manufacturing facilities will already have standard protocols in place for product testing.

If there are specific quality control measures that you would like to implement beyond these standard measures, either on your own accord or upon your food scientist's recommendation, consider bringing that up. For example, if you want to implement a specific quality control test or increase the frequency of a certain test, the facility will typically accommodate your request.

Entrepreneurs typically perform sensory testing in-house since you don't need advanced equipment to evaluate things like appearance, odor, taste, and texture. Even if you decide to outsource some aspects of sensory testing, many companies still conduct their own sensory testing in-house since no laboratory will be as familiar with your products as you are.

Producers also commonly conduct sensory and usage testing with consumers, whether that's through formal measures like focus groups, in-home usage tests, or through gathering informal feedback during product sampling at in-store demos, trade shows, or other events. Getting your product in front of consumers to solicit feedback is one of the best ways to inform product development and continuous improvement.

Analytical and microbial testing require more advanced equipment, so entrepreneurs often choose to outsource these tests to laboratories. However, some analytical tests can be performed with relatively simple equipment (e.g., pH testing). Which tests entrepreneurs choose to outsource will usually depend on their access to resources. For the tests that you decide to outsource to laboratories, in addition to getting referrals through your food scientist or production facility, you can also look up laboratories through IFT.

Consumer testing

It's best practice to make product development iterative, constantly incorporating feedback from consumers to make your product better. Unfortunately, our own intuitions and feedback from those in our circle doesn't always match up with how consumers perceive your brand or product. Consumer testing is a useful tool for figuring out whether your product is meeting consumers' desires and expectations, and using that information to inform the development of your product is invaluable.

There are a number of consumer testing methods, but perhaps the most powerful is getting your product in front of people through product sampling and gathering their feedback. You can also use methods like focus groups, online surveys, social media, eye tracking studies, or other experimental designs. For useful results, testing is generally limited solely to consumers in the target market.

For online surveys, Amazon Mechanical Turk (MTurk) is a common way to gain quick and inexpensive feedback from a fairly representative U.S. population, but there can be limitations with using MTurk. Targeted customer groups can also be reached through other crowdsourcing channels such as Prolific Academic or more traditional providers such as Qualtrics, SSI, NIQ, YouGov, and Toluna.

In addition to providing insights about your product itself, consumer testing can also be used to provide insights into your branding and messaging. This is especially important for companies who intend to sell their products internationally. If you are entering an international market, consider what steps you'll need to take to understand how your brand name and messaging translates into the local language and how it might be perceived given the local culture.

Intellectual property (IP)

IP is defined by the World Intellectual Property Organization (WIPO) as "creations of the mind, such as inventions; literary and artistic works; designs; and symbols, names and images used in commerce." IP has real monetary value, and it's important for startups to have a strong emphasis on protecting it.

Ownership

Any IP that was created prior to incorporation will need to be transferred to the company by a written agreement. Employment is also generally conditioned on the new employee signing terms such as an Employee Proprietary Information Agreement form, to ensure that any IP created by an employee belongs to the company, not the employee. The same concept applies to independent contractors.

Patents, copyrights, trademarks, and trade secrets

Measures of protecting IP include patents, copyrights, trademarks, and trade secrets.

- Patents protect inventions or discoveries.
- Copyright protects original works of authorship.
- Trademarks protect words, phrases, symbols or designs identifying the source of the goods or services of one party that distinguishes them from others.
- Trade secrets protect information that is secret, has commercial value because it is a secret, and has been subject to reasonable steps by the rightful holder of the information to keep it secret (e.g., through confidentiality agreements).

In the United States, the U.S. Patent and Trademark Office provides further information about patents and trademarks. Internationally, WIPO has further resources, particularly about the Patent Cooperation Treaty, which allows companies to file for international patents that provide protection in 150+ countries.

Non-disclosure agreements (NDAs)

An NDA is a contract that requires a recipient to keep specified information confidential and restricts how it can be used. Startups often use NDAs to protect IP and other confidential/proprietary information that may need to be narrowly disclosed for business reasons.

For example, it is common for manufacturers to implement an NDA with their co-packer prior to disclosing their formulation. Keep in mind that NDAs protect specific information (for example, a product formulation) but may not be enforceable if they are overly broad or used incorrectly.

It's important to note that VCs sometimes prefer not to sign an NDA unless they believe there is a compelling reason to have one in place. In other words, if you're a new cultivated meat company with a novel technical approach, it's ok to ask investors to sign an NDA (though we still wouldn't recommend including that demand as part of your very first contact, which should not include any confidential information).

GFI recommends entrepreneurs consult an attorney to discuss these legal and confidentiality considerations further, as they apply to your specific situation.

Regulatory considerations

In general, food entrepreneurs must comply with regulations related to the processing and handling of food. Alternative protein entrepreneurs often navigate unique regulatory considerations, including labeling as well as distinct regulatory pathways for novel ingredients or products.

FDA authority

The U.S. Food and Drug Administration (FDA) regulates all foods and food ingredients introduced into or offered for sale in interstate commerce, with the exception of meat, poultry, catfish, and certain processed egg products, which are regulated by the U.S. Department of Agriculture's (USDA) Food Safety and Inspection Service (FSIS).

The FDA has information on how to start a food business, including information on FDA requirements and how to ensure your company is compliant. Another good place to start is the FDA's Food Guidance and Regulation, which contains FDA guidance and regulatory information with links to Federal Register documents. It also contains information about food safety programs, manufacturing processes, industry systems, and import/export activities.

Food Safety Modernization Act

The Food Safety Modernization Act (FSMA) was implemented in 2011 to better ensure the safety of the U.S. food supply.

The FDA's FSMA website provides additional information, including rules and guidance for industry.

It's important for entrepreneurs to conduct due diligence to ensure that all vendors and partners across your supply chain—including farms, production facilities, importers, distributors, and brokers—are FSMA-compliant.

USDA authority

In addition to FDA, companies producing cultivated products from livestock, poultry, or catfish species for sale in the U.S. are also subject to USDA oversight under the Federal Meat Inspection Act and Poultry Products Inspection Act.

State and local requirements

Regulations vary by state and county, but in general, companies that manufacture, sell, or distribute food are required to have state and local health permits and comply with periodic inspections.

In most states, either the department of health or the department of agriculture is responsible for overseeing the food industry in the state. For example, in California, the Department of Public Health is responsible for overseeing food production, while in Minnesota, the Department of Agriculture does the same. Foodsafety.gov provides this tool to help you identify the health and agriculture departments in your state.

Once you identify the appropriate state agency, visit their website to learn more about permit, inspection, and other requirements. It's also key to identify any local agencies, such as county or city health departments, that have authority over food production, and take steps to comply with all local requirements. The National Association of County and City Health Officials (NACCHO) provides this tool to help you find your local health department.

Food labeling for regulatory compliance

The FDA regulates labeling of food products that fall under its jurisdiction. FDA has a food labeling guide that provides guidance to industry on how to label food products, including topics like ingredient lists, allergen statements, statements of identity, nutrient declaration, net contents declaration, and label claims.

FDA has also issued draft guidance on labeling plant-based milk and other plant-based foods. Draft guidance is not legally binding but represents the agency's current thinking on how its regulations apply. Cultivated meat, poultry, and catfish products are subject to labeling approval from USDA.

If you are working with a co-packer, they can usually handle the nutrition labeling for you, but you may need to provide them with the nutritional data for any unique ingredients you are using.

In the event of product mislabeling, FDA sends a warning letter and routinely posts these letters to their website. FDA might then decide to bring an enforcement action, which could result in a recall of the product. Even if the agency decides not to pursue further action, the existence of a warning letter could make the product an attractive target for a class action lawsuit alleging that consumers were misled.

In recent years, several states have also passed labeling laws applicable to plant-based and cultivated meat products. GFI recommends engaging a regulatory consultant or attorney to ensure compliance with all applicable labeling requirements.

Recalls

A recall is the removal of a product from the market. While the FDA has the authority to issue mandatory recalls, recalls are almost always voluntarily issued and executed by companies.

While food safety issues are one reason why a recall may occur, recalls can also be issued due to noncompliance with FDA labeling or manufacturing laws such as packaging defects or improper labeling. FDA provides information on recalls, including guidance for industry.

While costs vary, a study by the Food Marketing Institute and the Grocery Manufacturers Association (GMA) found that a recall costs an average of $10 million in direct costs alone. In addition to direct costs, companies can also face indirect costs related to brand damage and lost sales. To minimize these damages, manufacturers must be able to respond quickly and efficiently in the event of a recall. To do this, manufacturers should have a written recall plan in place as required by FSMA.

Recall plans also identify steps that will be taken in the event of a recall, including procedures to notify consignees (i.e., recipients of the product), notify the public when necessary, conduct effectiveness checks to confirm that the product was removed successfully, and to appropriately repurpose, divert, or safely dispose of the recalled product. The recall plan typically specifies who is responsible for carrying out each step. New Mexico State University has a guide to the Essentials to Building a Recall Plan. Food Decision Software also provides information on how to build a recall plan, including free templates.

In addition to having a well-prepared recall plan, manufacturers should consider investigating recall insurance.

Traceability

An important component of any recall plan is traceability. Traceability is the ability to track food through all stages of production, processing, and distribution. Traceability is important for being able to determine which products need to be recalled. If the affected products cannot be identified, you might have to broaden the scope of your recall, which could result in greater financial losses.

Lot codes

The first step in traceability is identification. It's key to assign each product in your facility, including raw materials, finished products, and cases of raw materials and finished products, a unique identifier called a lot code.

On finished products, lot codes indicate the date/time of manufacture, the production facility location, and the equipment line that was used. Rather than listing the date of manufacture in the lot code (which might turn off consumers if the product has a long shelf life), manufacturers usually list the expiration date and use the product's shelf-life to calculate back to the production date.

While expiration date labeling is not required by law (except for infant formula), it is expected by retailers, distributors, and consumers. For more information on expiration date labeling, see the USDA's information on food product dating.

In addition to using lot codes on final consumer packaging, it's wise to also use lot codes on cases of the product. This is important for ease of traceability (so downstream buyers don't need to open every case to check the lot code) but also for inventory management (e.g., first-in first-out (FIFO), expirations).

Lot codes may also be used to label raw materials (e.g., ingredients, packaging). This is important because if you find out that a raw material is contaminated or defective, you need to be able to determine which products it was incorporated into and where they were distributed. Raw materials will arrive at your facility already labeled with the supplier's lot code on the case and the bin. In other words, the supplier's finished product lot code will be your raw material lot code.

Barcodes

Barcodes are another tracking tool that are not required by any federal regulations, but are usually expected by retailers and distributors. Barcodes identify the type of product, but unlike lot codes, they do not provide any information about where/when/how they were made. In other words, two different packages of the same type of product will share the same barcode, but they may not share the same lot code.

GS1 is a nonprofit organization that develops and maintains barcodes, and GS1 US is the GS1 Member Organization for the U.S. GS1 US has a Get Started Guide to help you understand the steps for obtaining barcodes (for products sold in stores) and product identifiers (for products sold online).

Keep in mind that you might need to obtain more than one type of identifier. For example, you might need a UPC-A barcode for identifying your individually packaged retail product, and a ITF-14 or GS1-128 barcode for identifying cases or pallets of your product during warehousing and distribution. GS1 also provides more traceability information and resources on their website.

Recordkeeping

In addition to assigning and labeling products with lot codes and barcodes, you also need to implement recordkeeping procedures to keep track of all this information. ERP software or inventory management software may be used to keep track of lot codes. Before you're ready to implement one of these systems, you might use a simple spreadsheet.

Information that's tracked includes ingredient lot codes that go into each finished product lot, finished product lot codes, how much product of each lot code was produced, and where it was shipped (distributors, supermarkets, restaurants) so they can all be notified in case of a recall and advised to return or destroy the product.

Determining the regulatory status of novel food ingredients

If you're using a novel food ingredient within your product, it's important to take steps to determine the regulatory status of that food ingredient. In addition to food ingredients, any novel substance intended for use in producing, manufacturing, packing, processing, preparing, treating, packaging, transporting, or holding food should be considered if it becomes a component of or otherwise affects the characteristics of the food. The FDA provides guidance on how to determine the regulatory status of a food ingredient.

Photo courtesy of: phpetrunina14/adobe.stock.com

Section V: Marketing

The first step in building your marketing plan is to set your marketing goals. Once you've defined what you'd like your marketing to accomplish, you can move on to defining your marketing strategy, which includes conducting a situation analysis and defining your competitive positioning and brand strategy.

Then, you're ready to choose the specific tactics (e.g., social media, media engagement, product sampling) that will make up the promotion component of your marketing mix. You can then compile all of this information into a written marketing plan that will help guide all your marketing decisions.

Developing your marketing plan

Different companies will decide to outsource different aspects of this process. For example, some companies might decide to outsource their social media management, while others will do this in-house. Most companies will outsource things like logo and packaging design. Depending on your level of comfort with brand building, you might also want to outsource the process of defining your brand strategy, though it's always a good idea to think through all these steps in-house before hiring someone.

Since you'll likely need to hire outside creative talent for at least some aspects of the marketing process, the question is not whether but *when* to hire a creative agency. In making this decision, there are three tiers of support you might consider:

- Tier 3: A freelancing service like 99designs, Upwork, or Fiverr that produces a specific deliverable (e.g., logo, package design) on a one-time basis. Brand strategy support is not provided. This is a low-cost option, but is only recommended if you have a clearly defined brand strategy and vision for the end result. Quality of results may vary.
- Tier 2: A marketing agency that helps define brand strategy and provides specific services but not the full breadth of services that a full-service creative agency would provide. Some marketing firms focus on packaging design, while others focus on different aspects of digital marketing.

- Tier 1: A full-service creative agency that helps build the entire brand, from defining brand strategy to designing packaging, website, social media, print collateral, videos, etc. This is the most expensive route, but the benefit is that it does not require coordination between different agencies and can often lead to a more unified brand.

Luke Raymond of VMG Creative presented on a past GFIdeas call about how to build a brand and when to engage a creative agency. Check out the slide deck.

Set your marketing goals and objectives

Marketing goals can include building brand awareness and preference, generating product trials, encouraging repeat business, and growing sales. Marketing goals are very high-level, but defining them at the onset can help inform all of your marketing decisions. After you've defined your goals, you can define measurable and time-bound objectives that can be used to gauge whether you've achieved your goals.

Conduct a situation analysis

The purpose of a situation analysis is to evaluate the current state of the market, including its size, projected growth, and consumer trends. Consider internal and external factors that might affect your company's ability to succeed in that market and inform your marketing strategy.

One useful tool for conducting a situation analysis is the 5 C's (company, customer, and competition). In some models, the 3 C's have been expanded to 5 C's to include collaborators and climate.

Another useful tool for situation analysis is SWOT analysis, which evaluates your company's Strengths, Weaknesses, Opportunities, and Threats.

Define your competitive positioning, target audience, and brand strategy

After you conduct your situation analysis, you can develop your competitive positioning and brand strategy.

Competitive positioning defines how you will differentiate your product in the eyes of consumers in your target market. Your situation analysis typically informs your competitive positioning in addition to segmenting the market for your product and determining which market segment(s) to target.

The Segmentation, Targeting, Positioning (STP) model uses three steps (you guessed it): segmentation, targeting, and positioning. If performed correctly, these steps will allow you to more effectively reach the consumers who are most likely to purchase your product.

The idea behind market segmentation is that consumers respond better to direct, targeted communication compared to vague and generic messages, and consumers who share traits such as interests, needs, or qualities are likely to respond similarly to marketing messages. By identifying groups of consumers that are most likely to buy your product and developing messaging that appeals to each of these groups individually, you'll get more out of your marketing dollars to increase your marketing return on investment (ROI). In other words, market segmentation allows you to personalize your marketing campaigns toward your target market in a cost-effective manner.

When segmenting your market, your goal is to find a good balance between being too broad and too specific. If you focus your marketing efforts on too few or too specific consumer segments, you might be missing out on entire markets. In contrast, if you try to include too many segments or make your segments too broad, you could be wasting marketing dollars on people who are not likely to be interested in your product.

There are a variety of tools you can use to segment your market, from interviewing consumers to using advanced data analytics tools.

GFI's plant-based meat consumer segmentation

Plant-based meat is at a critical stage of category development where expanding beyond early adopters and occasional use are necessary to drive growth, and a more nuanced understanding of consumer demand is needed.

GFI research identified the addressable market for plant-based meat and profiled six consumer segments with distinct attitudes, needs, behaviors, and demographics to provide a framework for understanding the unique types of consumers and opportunities in the market.

Photo courtesy of: sofiko14/adobe.stock.com

Learn more about the segments and their unique attitudes, needs, and behaviors →

Targeting

Targeting involves identifying the specific consumer segments that are most likely to become your customers, and equally important, determining which segments you will not focus efforts on.

Market segments are generally evaluated according to their potential for profitability, including segment size and growth, as well as their accessibility. For example, will consumers in this segment be receptive toward your marketing messages? Will a large financial investment be required to educate consumers in this segment or otherwise make them receptive to your messages? Are your competitors already targeting this segment?

There are various tools you can use to target ads to your desired consumer segments. Most social media platforms and search engines have built-in functions that utilize user and third-party data for ad targeting.

Positioning

Market position is the consumer's perception of a brand or product relative to its competitors. While you can't entirely control your brand's position since it ultimately lies in the eyes of the consumer, you can influence how consumers perceive your brand or product. This act of establishing the image or identity of a brand or product so that consumers perceive it in a certain way is called positioning.

You can define your brand's positioning in a concise positioning statement: for [target audience], we offer [unique value], because [reasons to believe].

Compelling and differentiated positioning incorporates what matters most to your target consumers with your unique brand attributes. When considering your brand's attributes, keep in mind that there are points of parity and points of difference. In general, your positioning, messaging, and marketing should focus on your points of difference, since these will differentiate your product and brand from its competitors.

In the food industry, since price, taste, convenience are key factors that consumers consider when choosing what to eat, it's essential that your brand be at least at parity with the category on these attributes. However, if you develop a product that, for example, tastes significantly better than the competition, then exceptional taste could be a point of difference. Points of difference are usually closely associated with your brand in consumers' minds and set it apart from competitors.

One way to test the "ownability" of the positioning is to use the brand substitution test. If your brand could be replaced by a competitive brand in any marketing tactic, such as an ad campaign, and work just as well, then the positioning is not distinctive enough.

In order to define your unique selling proposition (also known as your value proposition), it can be helpful to think in terms of jobs to be done. For example, what job is that product doing for the consumer? Or what problem is it solving?

While a unique selling proposition is broad, a positioning statement is more specific in that it communicates to a particular customer segment the aspects of the value proposition that are most important to that audience.

Depending on which attributes are most important to consumers in each target market, you might position your products by specific attributes, benefits, usage occasion, or more. Since different consumer segments might value different things, it's best practice to develop messaging for each targeted consumer segment.

Perceptual mapping (also known as competitive mapping) is a useful tool for visually depicting your brand's positioning relative to its competitors. It can also be used to map the competitive landscape in a category to determine white spaces for your brand to fill.

A similar tool is a competitive matrix. While a perceptual map uses an X-Y axis to compare brands across two features, and a competitive matrix uses a table with check marks to compare brands across more than two features. The competitive matrix is a particularly useful visual for the competition slide of your pitch deck.

Brand strategy

A brand encompasses the entire experience your consumers and customers have with your company and product. It's not just a one-way communication with your audience—it also includes how your audience perceives and engages with you.

A strong brand strategy will help you to create brand equity, or the value created by consumer perception of your brand. Your brand strategy can also be used internally to guide strategic business decisions.

Naming

Selecting your company name is an important aspect of your brand identity. Key steps include:

1. Competitive analysis: research names of competitors in the industry to identify naming trends and avoid duplicating names
2. Brand positioning: identify the target audience(s) your brand is trying to reach, the messages/emotions your brand seeks to evoke, and your objectives to inform name development
3. Name/brand development: brainstorm and test naming options with target audience(s)
4. Trademark screening and domain search

Logo design

After you've developed your brand strategy and selected your name, you're ready to develop your logo and brand identity. A few questions to consider when you're having a logo designed include:

- You want a logo for the long-haul. Will it be as relevant in 10 years as it is today?
- Have you considered color symbolism carefully?
- Have you chosen a font that expresses your company's personality?
- Does the logo reproduce well at small scale (on a business card) or large (a billboard)?
- Does the logo work in black and white? Can it be "knocked out" in white?
- Does it work well in digital as well as print?

Be sure to ask for your logo in three formats: .EPS (this is the source file with vector-based artwork), .JPG (for use digitally), and .PNG (for use digitally where a transparent background is required).

Brand architecture

After you develop your brand name and logo, you can focus on building out your brand architecture, which includes your brand story, brand personality, and brand messaging. Lean Labs provides a list of questions to consider when creating your brand identity.

One aspect of your brand messaging is your elevator pitch, which can be used at expos and trade shows, in your pitches to wholesale customers like retailers, foodservice outlets, and distributors, as well as in other B2B contexts.

Develop your marketing mix

After you develop your competitive positioning and brand strategy, you can determine the marketing mix that will be most effective for reaching your targeted consumers in each segment. Marketing mix refers to all of the marketing tools and tactics that a company uses to elicit a desired response in its target audience.

The original model for conceptualizing the marketing mix is known as the 4 P's (product, price, place, and promotion). More recently, some models have added more P's, like people and process, to account for changes in the marketing landscape.

Build your marketing plan

After thinking through your marketing strategy, you're ready to write a marketing plan that details how you will implement it, including the specific tactics you will employ. It can also outline how resources will be allocated between different aspects of your marketing mix, and more specifically, how you will divide resources between different types of promotions to create your promotional mix. This includes creating a marketing budget and calculating return on investment (ROI) for all activities identified.

Marketing mix

In this section, we'll take a more detailed look at the four main components of a company's marketing mix: product, price, place, and promotion.

Product

Needless to say, the nature of your product will have an impact on your overall marketing strategy. According to *Forbes*, "Product encompasses the variety, design, packaging, quality, features and positioning of a product or service. The emphasis on this 'P' is constantly growing as consumers are becoming more knowledgeable about, and critical of, their purchases."

When it comes to food products' impact on your marketing mix, nutritional attributes like protein or the types of products offered (e.g., plant-based burgers versus a pea protein powder) may inform how you price, place, and promote your product.

Price

Price includes the cost that consumers pay for your product, as well as the cost your wholesale customers like retailers, foodservice operators, and distributors pay for your product. It's wise to align your price with other aspects of your marketing mix. For example, if your product is a B2B commodity, it needs to be priced competitively with similar commodity products. In contrast, if your product is a specialty good with strong brand equity, consumers may be willing to pay more compared to other items in your product category.

The best distribution and promotional strategies are typically informed by these differences in product and pricing strategy. Most broadly, there are three types of pricing strategies:

1. **Cost-plus pricing:** cost of manufacturing/delivering your good/service, plus a fixed percentage
2. **Competitor-based pricing:** prices determined dynamically based on competitor pricing and consumer demand (requires frequent market research)

3. **Value-based pricing:** prices set based on perceived value to the customer (requires significant market research)

In order to ensure that your product is appropriately priced, you can utilize aspects of all three of these pricing strategies.

This process can help you arrive at your manufacturer's suggested retail price (MSRP), which is the price at which you would like your product to be sold to consumers. Your MSRP typically covers your cost of goods sold (COGS) (including ingredients, packaging, labor), overhead costs (both fixed and variable), a margin for you, and margins for brokers, distributors, redistributors, retailers, and any other downstream business partners as required.

Note that margin is different from markup, and the food industry generally speaks in terms of margins. Be sure to be meticulous about accounting for all of your costs in your pricing—including trade promotions, taxes, travel, and more. Any operating expenses that you don't account for in your pricing will end up coming out of your profit.

Since the MSRP is a suggested price, retailers may choose to sell your product for more or less than the MSRP. However, it's wise to take steps to ensure that your product is sold for relatively the same price across sales channels. If you undercut your retailers by selling your product for $3.99 on your eCommerce website when it's sold for its MSRP of $5.99 through retailers, you could not only damage your sales relationship with those retailers, but you could also confuse consumers about the value of your product and disincentive them from purchasing at its appropriate retail price. To prevent this from happening, it's best practice to make an informed decision about your MSRP and commit to selling your product at that MSRP in any direct-to-consumer channels.

When pricing your products, discussing the market, determining incentive discounts, and talking to suppliers, it's wise to avoid conversations and actions that could lead to antitrust concerns, even as an early-stage startup.

Antitrust violations can lead to civil and criminal liability. You must always comply with all relevant federal and state antitrust law requirements, and steer clear of actions that could be the basis for practices such as price fixing, deceptive pricing, price discrimination, and predatory pricing. The National Institute of Standards and Technology (NIST) provides this Guide to U.S. Retail Pricing Laws and Regulations, including applicable laws in each state.

Along with taste, price is a top driver of consumer food choice

Alternative protein products must minimize the cost disparity with conventional meat to remain competitive.

As of 2025, plant-based meat is 76% more expensive per pound than conventional meat, on average, and price is a top reason why lapsed consumers say they stopped eating plant-based meat.

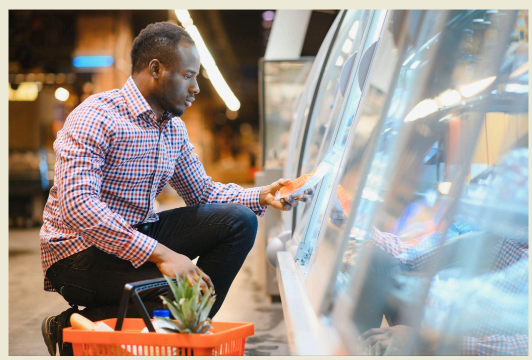

Photo courtesy of: Serhii/adobe.stock.com

Learn more about pricing dynamics between plant-based and conventional meat →

Place

Place refers not only to the place (either physical or digital) where your consumers purchase your product, but the entire logistical supply chain that gets your product to the end consumer.

Channel strategy

Your channel strategy determines which sales channels (sometimes called distribution channels) you will use to sell your products and how much of your overall sales volume you expect to move through those channels.

There are four main sales channels in the food industry: retail, foodservice, direct to consumer, and business to business.

In determining your channel strategy, consider the pros and cons in Table 2 on the following page, as well as the behavior of consumers in your target market.

Where do they tend to do their shopping, and where are they most likely to purchase your product? Note that due to the demands of introducing a product into a new channel, manufacturers often find it best to focus on one sector (e.g., foodservice) or even one sub-sector (e.g., university foodservice) while starting out, then expand into other sectors if desired.

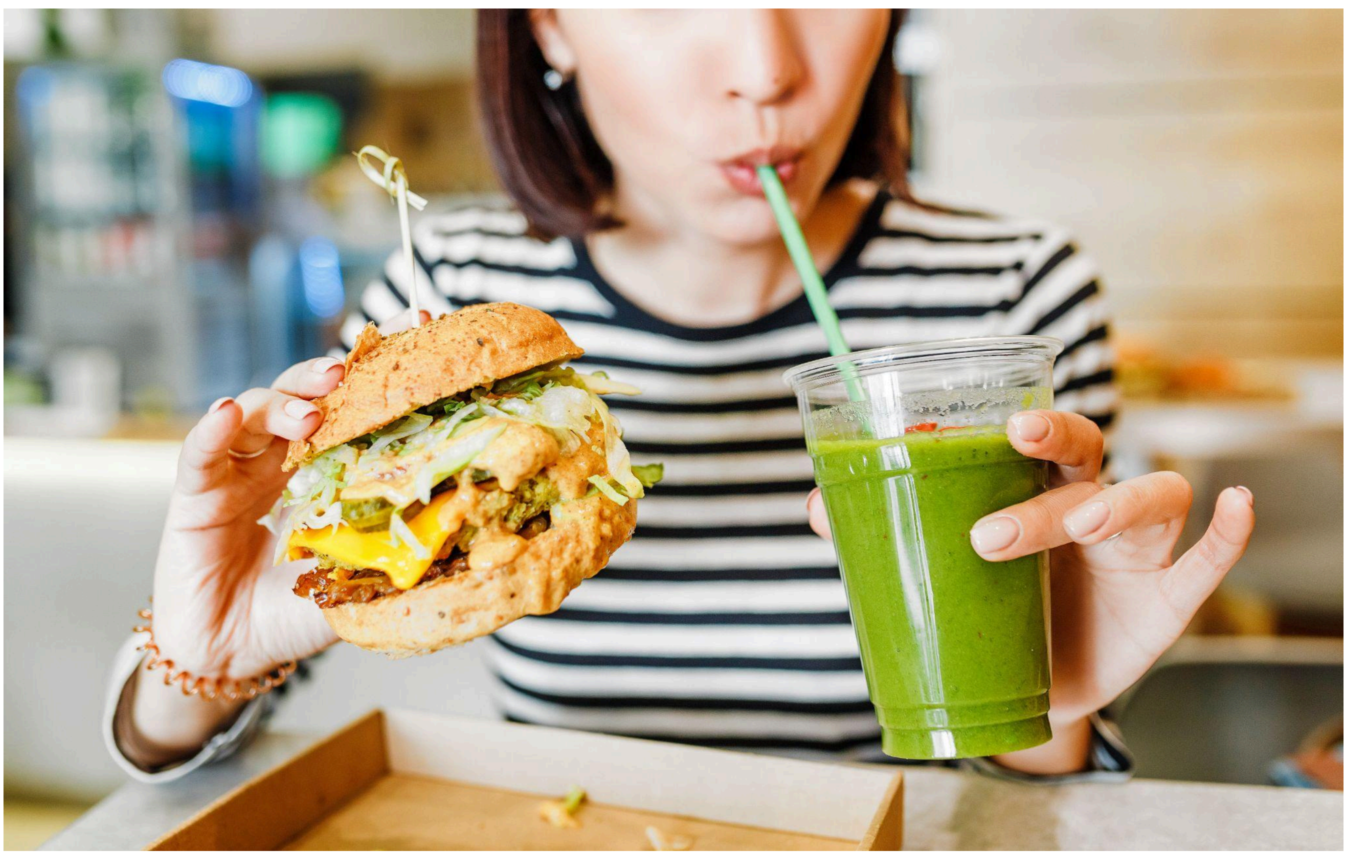

Photo courtesy of: EdNurg/adobe.stock.com

Table 2: Food industry channel strategies

	Description	Segments	Pros	Cons
Retail	CPG products sold through retailers to be eaten by the consumer at home	**Grocery/food** stores; **natural** grocers; **club** stores; **mass merchandisers**; **convenience** stores; **drug** stores; **dollar** stores Products may either be branded or unbranded (a.k.a. white label or private label)	**Established** sales and distribution infrastructure **Access to retailer's audience** for customer base **Opportunity to build brand loyalty** since branding is consumer-facing	**High trade costs** (e.g., slotting fees, trade shows) **High marketing costs** (e.g., packaging design, advertising, brand building, distributors' marketing programs) **Low margins** due to markup by retailers, distributors, and redistributors
Foodservice	Products are served at foodservice establishments, includes all food away from home	**Non-commercial** (e.g., schools/universities, corporate cafeterias, healthcare settings) **Commercial** (e.g., restaurants, hospitality, grocers serving prepared foods)	**Established** sales and distribution infrastructure **Access to foodservice establishment's audience** for customer base **Lower marketing and trade costs** compared to retail	**Low margins** due to low price points (especially in non-commercial foodservice) and markup by retailers, distributors, and redistributors **Little opportunity to build brand loyalty** since branding is usually not consumer-facing
eCommerce/ Direct to consumer (D2C)	Products are sold online and delivered to consumers	**Third-party** eCommerce websites like Thrive Market and Amazon **Self-controlled** eCommerce websites	**Opportunity to test products** before launching in other market segments **Opportunity to build brand loyalty** through direct interaction with consumers *For self-controlled eCommerce:* **High margins** due to lack of intermediaries **No trade costs**	*For self-controlled eCommerce:* **High investment in marketing** is required to build customer base **No established sales or distribution infrastructure** **No established customer acquisition methods**
Business to business (B2B)	Products are sold to other businesses to be used as ingredients within other products	Sell through **B2B suppliers** or **directly** to other manufacturers	**Very low marketing and trade costs** **Fewer customers are needed** since purchase volumes are usually high	If product is a commodity, **margins will be low** and **competition will be high** *When selling directly to other manufacturers:* **No established customer acquisition methods** **No established sales or distribution infrastructure**

Source: Food Business Models and Channel Strategies, PlantBased Solutions

Distribution

Manufacturers who are just getting started might choose to deliver their products to retailers or foodservice operators directly. In retail, this system is called **direct store delivery** (DSD). DSD can be an economical way to get your products into distribution in a local area, but you will outgrow it pretty quickly if you want your products to be widely available.

The role of **distributors** in the food industry is to warehouse products, take orders, and deliver products from multiple manufacturers to retailers and foodservice outlets where these products will be sold to consumers. Distributors often also perform merchandising functions on behalf of retailers, such as restocking and resetting shelves, managing point of purchase (POP) materials, and monitoring inventory quantity and quality.

Distributors also simplify the invoicing process on behalf of retailers by compiling invoices from multiple manufacturers. Without this service, manufacturers would be responsible for processing orders and billing each retailer separately, rather than simply sending invoices to the relatively small number of distributors they work with. Similarly, retailers would be responsible for paying separate invoices from each manufacturer whose products they carry.

Overall, distributors provide valuable services to manufacturers and retailers. However, it's important to account for the costs associated with these services. Retail distributors usually take a 20–30 percent margin; foodservice distributors also take a significant, but generally lower, margin than retail distributors.

Distributors also usually expect trade promotions like free fill (i.e., free product), as well as separate allowances for slotting fees, spoilage, and promotional activities. These costs need to be accounted for in your P&L/income statement and reflected in your product's price.

There are many different types of distributors. **Broadline distributors** offer products across multiple categories and all three temperature zones (ambient, refrigerated, and frozen), while other distributors focus on specific food categories such as produce or "center of plate."

Another distinction is that nationwide distributors operate on a national or even international scale, while regional distributors focus on a particular region or even a single metropolitan area.

Regional distributors typically serve small and independent grocery stores due to their lower order minimums. However, regional distributors often don't serve large accounts like natural or grocery store chains. Yet another difference is whether the distributor serves the retail or foodservice channel. The top nationwide distributors of natural products in the retail channel are UNFI and KeHe. These distributors serve national natural chains (like Whole Foods and Sprouts) as well as grocery stores that carry natural items (like Wegmans, Kroger, and Stop & Shop).

On the foodservice side, the top broadline distributors are Sysco, US Foods, and Performance Food Group (PFG). UniPro is the largest foodservice distribution cooperative in the U.S. and is composed of independently-owned distributors that pay membership fees for access to UniPro's collective purchasing power. In addition to the third-party distributors that have been discussed so far, it's important to note that many retailers (e.g., Walmart) use a self-distribution model, meaning they have their own distribution infrastructure rather than working with external distributors.

Between product line, regionality, segments served, and sales capacity, there's a lot to consider when selecting a distribution partner. Perhaps the easiest way to narrow the field and decide which distributors might be the best fit for you is to think about which retailers and foodservice operators you'd like to sell your products through, and determine which distributors they use. For example, if you want to get into Whole Foods, UNFI and KeHe would likely be good distribution partners. If you're aiming for independent stores, a regional distributor might be a better fit.

Redistributors

To ensure that they are maintaining a certain turnover rate, most distributors have **case minimums** for how many cases their customers must order per week in order to continue stocking any particular product. Case minimums of five to ten cases per week are common for regional distributors and are usually higher for national distributors, except if they have an introductory program for new brands.

If a manufacturer wants to get into a distributor but doesn't have the sales volume to meet the case minimums, **redistribution** might be a good option.

Redistributors specialize in compiling less-than-truckload (LTL) quantities from multiple manufacturers into truckload shipments to distributors. That way, distributors don't have to use up valuable inventory space on slow-moving items. Instead, these items are warehoused by redistributors and transported to distributors as necessary along with products from other manufacturers. Redistributors allow distributors to carry a wider variety of products and make these products available to their customer network.

Dot Foods is one of the largest redistributors in the U.S. Alpine Foods is an example of a regional redistributor that serves the western U.S.

International distribution

There are various ways to sell food products internationally: through exporting, setting up a production facility abroad, or licensing your technology for someone else to produce it abroad.

There are various considerations for exporting, including foreign regulations, taxes, tariffs, currency risk, logistics, and more.

U.S. Customs and Border Protection provides an overview of the regulatory considerations for importing/exporting food products in the U.S. Organizations such as WUSATA (for the Western U.S.), SUSTA (for the Southern U.S.), and Food Export (for the Northeast and Midwest) can help you navigate the exporting process and may even provide financial support. For example, WUSATA reimburses U.S. companies 50 percent for international marketing expenses and trade shows.

Selling internationally also comes with its own regulatory considerations, particularly with novel foods like cultivated meat. For the most updated status of where cultivated meat can be sold today and where regulatory reviews are underway, check out GFI's cultivated meat regulatory approval tracker.

Refer to the consumer testing section of this manual for additional considerations about naming and branding products for sale in international markets.

Promotion

The last major component of the 4 P's of marketing mix is promotion. Promotion encompasses all the ways that a company communicates with its target audience to achieve its marketing goals.

The promotional mix (also known as marketing communications mix) is the combination of various communication elements that a company uses to reach its target audience. Within each of these promotional elements, there are a variety of specific marketing tactics you may use. The five main promotional elements are:

1. Advertising
2. Public relations
3. Sales promotion
4. Direct marketing
5. Personal selling

Since you won't have unlimited marketing dollars, you must decide how to divide limited resources between these different promotional elements to create your promotional mix. Your promotional goals and overall marketing strategy can inform that decision.

It's important to note that promotions can be directed toward consumers or customers as the target audience. The **consumer** is the person who consumes your product. Depending on your channel strategy, the consumer might purchase your product in a retail store, a foodservice establishment, or through an eCommerce website.

The **customer** (also known as account or wholesale partner) is a business that purchases your product at a wholesale price and resells it to make a profit. In other words, customers are businesses in your downstream supply chain (e.g., distributors, redistributors, retailers, foodservice outlets).

Some types of promotions will be more effective at reaching customers, while others will be more effective at reaching consumers. Unless you're using a purely direct-to-consumer channel strategy, reaching your marketing goals will require that you use various methods to reach your target consumers and customers.

Advertising

Advertising is a form of promotion that involves paying for space to promote your product or brand. At one point, advertising was thought of as a highly impersonal, mass-marketed approach. Today, most advertising methods are highly-targeted and based on consumer data.

Traditional advertising

Traditional advertising channels include broadcast (e.g., TV, radio, cinema), print (e.g., newspaper, magazine, and industry publications), and public channels (e.g., billboards, posters). Today, few food startups choose to devote significant resources to traditional advertising channels since digital advertising tends to be much more efficient at reaching targeted audiences.

Digital advertising

Digital advertising enables brands to choose with a high degree of specificity which types of users they would like to see their ads based on who they think will be most likely to purchase their product.

Common digital advertising channels include:

- **Search engine optimization** (SEO): optimizing web content to maximize search position and organic/unpaid clicks
- **Search engine marketing** (SEM): engaging in sponsored/paid ads that appear at the top of search results
- **Display advertising:** paid ads on third-party websites or apps
- **Email marketing**
- **Content marketing** (e.g., podcasts, blogs, newsletters, etc.)
- **Social media**
- **Website**

Public Relations (PR)

Owned media includes original content that is created on channels your company controls such as your website or social media platforms. Companies often use content marketing to create owned media content like articles, e-books, videos, and webinars.

Paid media includes paid advertisements like search engine marketing or promoted social media posts.

Earned media includes content and conversation that has been voluntarily created by others. Examples of earned media include reviews, testimonials, social media engagement (e.g., likes, shares, mentions, retweets), media coverage, and word-of-mouth.

Owned, paid, and earned media can often be combined to maximize results. For example, you might write a blog post (owned), share it on social media to generate engagement (earned), and make it a sponsored post to increase its reach (paid).

One way to conceptualize PR is as the practice of monitoring and managing earned media. PR strategy aims to identify and influence how key stakeholders feel about your brand/product.

Consumers tend to view earned media as the most authentic form of marketing; it's a powerful tool for building trust and credibility among consumers and other key audiences. Reviews, testimonials, media coverage, and word-of-mouth recommendations are influential forms of social proof that can help advance consumers down the purchasing funnel.

Just like the act of segmenting your market, you can segment the public into groups of publics, or stakeholder groups. Consumers are only one of many “publics” (i.e., groups of people) to be considered. Other publics might include investors, retailers, foodservice operators, and the media. Identifying your publics will help you tailor your messaging to resonate with each of these groups.

To determine your company’s publics, consider these five characteristics:

- They must be distinguishable in some way (a recognizable grouping of individuals),
- They must be homogeneous (share common traits and features),
- They must be important (can significantly impact your company, brand, or product)
- They must be large enough to warrant strategic attention, and
- They must be accessible, meaning they are a group with which you are able to interact and communicate.

One disgruntled customer is not a public. One disgruntled customer who gets a lot of other people upset with your company starts to become a public.

Common types of PR include media relations, corporate social responsibility (CSR), public affairs, crisis management, and employee relations.

Sales promotion

A sales promotion is used to promote a product for a limited amount of time. While consumer sales promotions are directed toward consumers, trade promotions can also serve to motivate your retail, foodservice, and distribution partners to purchase and sell your products.

Consumer sales promotions include price promotions (also known as price discounting), coupons, gift with purchase, samples, contests, sweepstakes, money refunds (or rebates), frequent shoppers or loyalty incentives, and point of purchase (POP) materials.

Trade promotions include allowances and discounts, cooperative advertising, sales force training, and free goods (also known as free fill).

Trade promotions may be introductory (to generate interest in a new product), recurring (to stimulate the market on a regular basis), or tied to a specific activity (to encourage that activity). Nielsen provides insight into how your product’s category and other features might affect the effectiveness of different types of trade promotions.

In retail, trade promotions—like cooperative advertising allowances, in-store demos and sampling, consumer promotions, coupons, and POS materials—are often expected by buyers. Most retailers also charge some sort of product introduction fee or recurring placement fee when food manufacturers want to place products on their shelves.

These fees are often called slotting fees, and can take the form of free fills (specific amount of free product), buy-outs (paying to clear out other products to make way for your own), favorable payment terms, purchasing allowances, and more.

Many food retail chains use shelf placement diagrams (often called planograms) to allocate shelf space within categories. Large brands often pay for the most prominent shelf space at eye level, while private label brands from the store are often highlighted as well, leaving cheaper and newer brands the highest, lowest, or most hidden shelf space. There are generally no slotting fees when selling to foodservice customers.

Photo courtesy of: Photo source

Pricing and promotion strategies can help lower barriers for consumer adoption

Even small price adjustments can have outsized impacts on plant-based meat volume. As such, plant-based brands should consider more feature and display promotions and identify high-lift items.

Plant-based products can succeed at price premiums over conventional meat, but sales suffer when the gap grows too large.

Increasing plant-based meat prices without considering the broader market is likely to negatively impact sales volume and jeopardize category share.

Dive into GFI's plant-based meat pricing and promotions insights in U.S. retail →

Sell sheet

A sell sheet (sometimes called a line sheet) is a one-page (front and back) document that provides information about your product line and ordering procedures to potential buyers, including UPCs and product specs. You can use a PDF version of your sell sheet for sending via email, and also bring printed copies to sales meetings, trade shows, and anywhere else you might encounter buyers. Female Entrepreneurs in Agrifood Development (FEAD) provides instructions for how to make a sell sheet, including examples.

Catalog/brand book

Like your sell sheet, the intended audience for your catalog/brand book will be buyers (customers, not consumers). While a sell sheet provides only the necessary information for ordering your products, your catalog provides a more in-depth look at your brand. Not every company has a full-size catalog—sometimes companies use alternative formats like multi-fold cards that can be easily handed out at trade shows or other events.

Point of purchase (POP)

POP is collateral that is distributed or displayed at the consumer's point of purchase (usually in-store). POP materials might include signage, tags, or POP displays, which are standalone display units that serve two functions: to stock your product and serve as a prominent in-store advertisement to consumers. POP materials are most commonly used in retail, but they can also be used in foodservice.

Product sampling

Product sampling is an important type of sales promotion, not only for building consumer sales, but for gaining customers like retailers, foodservice operators, and distributors, as well as securing investment. It's also a useful tool for obtaining consumer feedback that you can use to inform product development. For all these reasons, it's wise to have a substantial sampling budget in your marketing plan, even though it may seem expensive.

It's imperative to always use good food safety practices when sampling products. Food safety mistakes like touching a product with your bare hands or improper temperature control could easily turn consumers off from your product or ruin an otherwise productive sales meeting with a buyer. The Food Safety Institute has a helpful guide to preparing safe and effective samples.

Trade shows

Trade shows (also known as expos) bring together food industry players, from food manufacturers, to buyers, investors, brokers, distributors, co-packers, product developers, ingredient suppliers, and investors. Exhibiting at trade shows can be an invaluable opportunity to meet these key players, get your product in front of them, form partnerships, and drive sales. Another benefit is that most trade shows provide educational sessions featuring key industry players as speakers.

Trade shows are expensive, and costs can add up quickly between the show fee, booth design, product samples, printed materials, travel, and more. When determining whether to attend a trade show, it's important to carefully weigh the costs versus the potential benefits. You might not immediately recoup your costs, but even one key connection could make the entire event worthwhile in the long term.

When determining which event to attend, consider your goals for the show and how the audience for that event aligns with those goals. If you're targeting the foodservice market, then the National Restaurant Association Show is a key event.

For the natural CPG market, there's the Natural Products Expo, and it has two shows: Expo West and Expo East. Expo West is about triple the size of East and is the biggest natural products trade show in the world (the show fee is reflected in this); plus, there are many other events specific to certain regions or categories.

Direct marketing

Direct marketing is a type of promotion that involves communicating with consumers directly through mail, email, or phone marketing. Direct marketing is often used to send coupons and other sales promotion materials directly to consumers.

Personal selling

Personal selling is a type of promotion in which a salesperson proactively approaches customers to make sales that would otherwise not have been made. For early-stage startups, it's often the founder who takes on this salesperson role, though as your company grows, you may explore hiring additional in-house sales staff or brokers.

In comparison to some of the other promotion types, personal selling is time- and resource-intensive since it involves researching prospects (i.e., potential buyers), fostering one-on-one relationships with buyers, delivering sales presentations, either virtually or in-person, and performing follow-up as needed to close the sale and continue the relationship.

Since it's expensive, personal selling is not commonly used to sell products to consumers. However, personal selling is an essential tool for reaching high-volume customers like retailers, foodservice outlets, and distributors, since the return on investment can be worth it.

Selling into retail

A buyer (also known as purchaser) is a representative of a wholesale customer (e.g., retailer, foodservice operator, distributor) who is responsible for purchasing within a specific product category. Buyers can be classified by their sales channel—for example, a buyer within retail might be referred to as a retail buyer.

Retailers typically have individual buyers or teams focused on particular food categories such as dairy, eggs, pet food, etc. Retailers manage each category as its own business unit, seeking to maximize the profit from that category by finding the ideal mix and placement of products. Most stores will have a particular target for turnover (how much of each product is sold per store on a daily or weekly basis) per category.

Larger retail chains often have specific category review periods once or twice per year, when the category is evaluated and the product mix and positioning strategies are adjusted. Be sure to note when the retailers you want to sell to are doing their relevant category reviews; if you miss the review, you might have to wait months before you have another chance to get your product onto their shelves. Smaller retailers are usually more flexible and may not even have scheduled category reviews.

Before you contact a potential retail buyer, it's important to do your research on them. Research the company as well as the individuals who are the retail buyers for your product category. Some questions to ask include: Who are their distributors? What are their sales volume requirements? Who are their competitors, and what makes them different? You can also visit their stores to understand what products they carry in your category and how your product fills a gap in that lineup. It's important to make sure you know the answers to common questions that buyers ask about products. For example, what is its wholesale price, MSRP, and gross profit margin? What is its shelf life? What is its sales history in other stores? How many units do anticipate it will sell per week?

The retail buyer's job is to find products that will lead to increased sales for their category as a whole. If your product will only source sales from competitive products, it doesn't help the buyer meet their goal to grow category sales. Thus, when you meet with the prospective buyer, it's your job to convince them that your product will increase total category sales.

There are three main ways to do this: bring new buyers into the category, get existing category buyers to buy more, or increase the average dollar ring of products in the category. It's wise to prepare a retail sales pitch deck for this meeting (note that this is not the same as the investor pitch deck).

If the retail buyer is interested in your product, the next phase is negotiations. Retailers typically ask for trade promotions like markdowns, exclusivity, and slotting fees, which are usually negotiable.

After you strike a deal with the buyer and successfully obtain shelf space, you need to make sure your product stays on shelf. If your product isn't selling enough to meet the expectations of the retailer, they will likely drop your product to make room for something else. You need to have a strong marketing plan in place to ensure that your product turns at least as fast as other products in the category. This data can be obtained by third party data providers like Nielsen, Circana, or SPINs. If you see it's not selling as fast as it needs to, you can increase the consumption-focused tactics in your marketing plan.

Another risk is that your product sells too well and you can't keep up with out-of-stocks. This situation will also likely result in your product being dropped, since empty shelf space means lost sales for the retailer. Before approaching a retail buyer, it's important to ensure that you have forecast accurately and have sufficient production capacity to meet anticipated demand.

Most major retailers provide information on their website for potential suppliers, including how to become a supplier, including contact information, meeting request procedures, and required forms.

Selling into foodservice

The process for personal selling in foodservice is similar to retail. Start by doing your research on the potential buyer. Study their menu and come prepared with ideas on how your product could fit into it.

If the account is an independent restaurant, you will likely schedule a meeting with the chef or manager. Be prepared to discuss the product, pricing, ordering, delivery, and other logistics. As always, don't forget to bring product samples. If the buyer is a larger account like a chain restaurant, stadium, resort, cruise line, etc., you'll need to find out who the food and beverage buyer is and schedule a meeting with them.

If the account is a non-commercial venue (e.g., school/university, healthcare setting, corporate cafeteria), find out who manages operations at that institution. Non-commercial foodservice establishments can either be independently operated or operated by a third-party foodservice management company.

If a foodservice management company is responsible for operations, follow their procedures for scheduling a meeting to pitch your product. The largest foodservice management companies are Compass, Aramark, Sodexo, Delaware North, and Elior North America.

If you have the production capacity and demand, partnering with a foodservice management company can be a great way to expand your reach within foodservice. For example, when Eat Just partnered with Compass in 2015, it enabled the company to get into cafeterias, restaurants, and other foodservice establishments nationwide. At the time, CEO Josh Tetrick called Compass "the most important partner for us because of its scale and shared philosophy."

Foodservice operators are increasingly using online ordering platforms like BlueCart and Dine Market. Order management platforms connect foodservice customers like restaurants with multiple suppliers, allowing multiple vendor relationships to be managed on the same platform.

From the buyer's perspective, these platforms make it easier to try new products without having to fill out a new order form and manage billing with a new supplier. From the seller's perspective, these platforms can help with foodservice customer acquisition and simplify the invoicing process. Thus, if your target customers are using one of these platforms, you might benefit from joining.

What chefs want in alternative proteins

GFI partnered with Palate Insights to uncover what it takes to get alternative proteins on foodservice menus, based on in-depth interviews with 15 chefs across various settings, from fine dining to schools.

Key findings reveal that brands are most successful in securing alternative protein launches on menus when they focus on one foodservice channel at a time and tailor their approach to meet its specific needs, such as cost sensitivity, nutrition standards, and available kitchen equipment.

More best practices for engaging with foodservice operators →

Selling to eCommerce

In eCommerce, most of your promotional mix will likely consist of consumer-facing marketing strategies like digital advertising. However, if you're planning to sell your products on a third-party eCommerce website, you'll need to perform some personal selling to get that website to sell your product.

While some companies might choose to sell products exclusively through eCommerce, others might choose to sell online in addition to traditional channels like retail and foodservice to help boost sales. You can use different platforms for selling your products online, including your own eCommerce website or third-party platforms. Some third-party outlets purchase products wholesale from manufacturers, while others never take ownership of the inventory, but rather rely on manufacturers to dropship orders to consumers.

Selling to distributors

There are many different types of distributors, and you'll need to decide which would make the best strategic partners for your company. Once you home in on a specific distributor you'd like to approach for sales purposes, you'll typically follow their new supplier procedures, which are usually posted to their website. Once you've filled out the appropriate forms, the buyer for your product category will set up a meeting if they are interested in learning more.

At this meeting, you will be expected to give a presentation to the buying committee and/or sales staff. Note that your distributor pitch deck will be different from your investor pitch deck and your retail sales pitch deck to tailor it to contain the most important information for distributors—e.g., information on your product line (including ingredients, certifications and distinguishing factors from other products in the category), retail and consumer demand, marketing and promotional strategy, packaging, shelf life, minimum order quantity, pricing, discounts, payment schedule, and production capacity.

While this might seem like a lot to cover, it's important to remember that distributors are ultimately looking to carry products that will sell. Their goal is to achieve a high level of inventory turnover, also known as "turns," which results in a higher return on investment (ROI) on the cash that is tied up in their inventory.

During this meeting, it is your job to convince the buying committee that your product will sell. Since retailers are distributors' customers, the strongest testament that a product will sell is retailer interest in your product and intent to buy. It's usually wise for companies to pitch to retailers first then pitch to the interested retailer's distributor once they can prove that there is demand either in the form of expressed interest or written commitments to purchase a certain amount (the same is true in foodservice distribution).

Another way to convince the distributor that your product will sell is to show that you have a strong sales, marketing, and promotions strategy. While distributors do have sales staff, their ability to drive sales is limited, since they have so many different manufacturers and products to represent.

If the distributor is interested in carrying your product, you can negotiate terms, such as an exclusivity period, trade promotions, and more.

After you have an agreement in place, your job is to ensure that the product sells and continues to meet the sales expectations of your distribution partner. Your other job is to ensure that you don't run out of stock. Before you start expanding your distribution too much, it's important to ensure you have sufficient production capacity to meet demand within your current points of distribution.

Brokers

A food broker is an independent sales agent that represents food manufacturers to sell products to retail or foodservice customers. Brokers typically operate within a defined geographic area and specialize within specific segments of the retail or foodservice markets. Brokers do not warehouse or transport products—their role is simply to sell products on your behalf.

If you are considering hiring a broker, there are a few things to consider. For one, do you have the production capacity to support increased sales volumes? The benefits to working with a broker include their knowledge of local markets, relationships with potential buyers, and sales experience. The downside of working with a broker (vs. hiring an in-house sales representative) is that you're not the only brand they represent. Brokers represent a variety of brands, though they typically do not take on products that are direct competitors with each other.

Since brokers work on commission and small manufacturers only represent a fraction of their overall sales, your broker will not probably devote as much time and attention to your brand as an in-house sales representative would. Brokers generally don't replace in-house sales efforts, but supplement them. Even though brokers are not part of your internal sales team, it's important to provide training to enable them to be knowledgeable representatives of your product and brand. Often, brokers provide the first impression of your brand to your potential retail and foodservice customers, so it is important that they represent your product accurately and positively.

Brokers are usually paid based on their performance as a commission of their sales. Approach with caution if a broker requests set fees or retainers, except perhaps in new product launches. Brokers might ask for set fees due to the high time commitment and risk involved in taking on an unproven product. In these specific cases, manufacturers might agree to such fees for a limited period of time or just opt for doing sales in-house until the product is successful enough to entice a broker.

When hiring a broker, ask for referrals within your personal and professional networks. You might consider asking your current retail and foodservice customers for referrals, since they likely purchase products from brokers and are familiar with those who operate in the local area.

Some things you may consider are what market segments (e.g., retail, foodservice) and sub-segments (e.g., supermarkets, natural stores, quick service restaurants, K-12, etc.) they operate in, whether they are familiar with your product category, what geographic region they cover, who their other accounts are (and whether any of their products compete with or complement yours), who their main buyers are, and what their key accomplishments are.

The Specialty Food Resource's broker directory can help you find contact information for brokers in the retail sector.

When you're ready to move forward with a broker, it's a good idea to create a written agreement to set expectations and legally define the relationship between the manufacturer and the broker. It also highlights additional points to discuss with your broker that don't necessarily need to be in the formal agreement, such as the process for how orders will be submitted and what kinds/quantity of samples will be provided.

Photo courtesy of: Tanya Maury/stock.adobe.com

More resources

Corporate Engagement at the Good Food Institute

We conduct research, share insights, and engage with the private sector to catalyze innovation and investment in alternative proteins. GFI is not a trade association or member-based organization; in a field largely driven by private-sector activity, our nonprofit work is available to all.

By 2050, the global demand for meat is projected to rise significantly. By reimagining how meat is made, we can meet consumers where they are. Our work makes it possible for alternative proteins to increasingly compete with conventional meat, seafood, eggs, and dairy on the key drivers of consumer choice: taste, price, and convenience. We engage with stakeholders across the entire innovation-to-impact pipeline, including entrepreneurs and startups.

Explore more resources for entrepreneurs on our website, and reach out to connect at corporate@gfi.org.

Plant Based Foods Association (PBFA)

The Plant Based Foods Association is a trade organization that aims to promote the plant-based foods industry by removing obstacles to a fair and competitive marketplace for alternatives to animal ingredients and products.

Precision Fermentation Alliance

Precision Fermentation Alliance is an industry organization established to champion precision fermentation as a trusted solution for a more resilient and sustainable food system.

Fungi Protein Association

The Fungi Protein Association is a trade group for companies that harness fermentation of fungi for food. They advocate for fungi protein, both to consumers and in public policy, and conduct consumer research.

Association for Meat, Poultry, and Seafood Innovation (AMPS)

AMPS Innovation is an association of cultivated meat companies that works to educate the public about our industry and advocate for the policies and programs that are needed to continue to create a safe, fair and transparent pathway to market in the U.S. for cell-cultivated meat products.

Small Business Association (SBA)

The Small Business Administration is a U.S. government agency that provides support to entrepreneurs and small businesses. You can use SBA's local assistance tool to identify resources in your area, including Small Business Development Centers, SCORE Business Mentors, Veteran Business Outreach Centers, and Women's Business Centers.

About GFI

The Good Food Institute is a nonprofit think tank working to make the global food system better for the planet, people, and animals. Alongside scientists, businesses, and policymakers, GFI's teams focus on making plant-based and cultivated meat delicious, affordable, and accessible. Powered by philanthropy, GFI is an international network of organizations advancing alternative proteins as an essential solution needed to meet the world's climate, global health, food security, and biodiversity goals. To learn more, please visit gfi.org.

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