

HOW DESIGN TRANSFORMS BUSINESS



FOOD AND AGRIBUSINESS SECTOR

CASE STUDY 2

Grounded Foods Co.

📍 VIC and US

AUSTRALIAN
DESIGN
COUNCIL

 **FIAL**
The Food and Agribusiness Growth Centre

How Design Transforms Business is the inaugural program launched by the Australian Design Council, to show how design can deliver growth, and in turn, national prosperity.

THE PROGRAM CONSISTS OF:



A Series of Case Studies

Profiling Australian businesses who have used a design-led mindset and practices to grow their business.



A Roundtable

Discussing how this business success could be scaled at a sector/industry level.



A National Design Challenge

The first of its kind, it will look at one major 'opportunity' for future national growth, and bring Australia's world class design profession together, with business, to explore design-led opportunities for prosperity and growth.

There is a world-class design capability in Australia that is not being leveraged to its full potential. While some businesses are using design as a competitive advantage, many still don't understand how to embed it as a strategic tool to grow and prosper. We believe this is Australia's missed opportunity.

We hope this program will demonstrate how a design-led process can help.

In partnership with the Food and Agribusiness Growth Centre who trade as Food Innovation Australia Limited (FIAL), we will be focusing initially on the Food and Agribusiness Sector.

It has been selected based on its potential for growth from a A\$61bn to a A\$200bn sector by 2030.

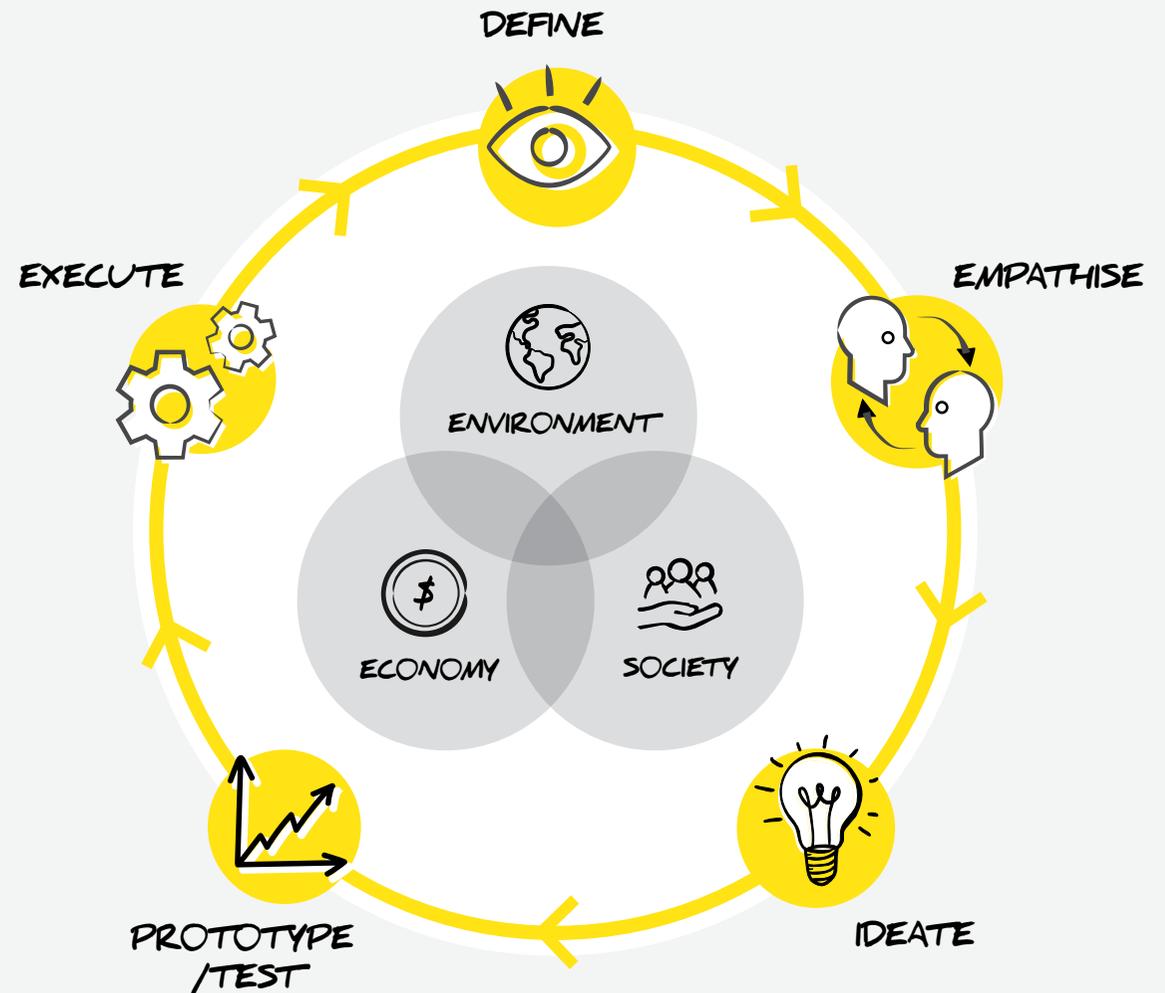
Food and Beverage Manufacturing, the post-farm gate activities of the sector, is one of six National Manufacturing Priorities in the Federal Government's Modern Manufacturing Strategy.

WHAT DO WE MEAN BY DESIGN?

DESIGN IS A PROCESS THAT LEADS TO BUSINESS GROWTH AND NATIONAL PROSPERITY.

Design is an iterative process for creative problem solving. It is the activity of conceiving and developing a plan for a new or significantly improved product, service or system that will meet a user's needs. It considers economic, environmental and social impact.

We know businesses that use design, gain competitive advantage. Investment in professional design improves profitability, drives exports, jobs and much more.



This process typically happens several times throughout a project as ideas are checked and rechecked against the original defined problem and customer group.

GROUNDED FOODS CO.

Grounded Foods Co., based originally in Melbourne and now in California in the US, make plant-based cheese.

Its 'cheese free cheese' is made from fermented cauliflower and hemp seed – a unique market offering. Free from dairy, nuts, soy, gluten or GMOs and using 'imperfect vegetables' its product is nutrient rich, more environmentally sustainable to manufacture and lower cost than other dairy alternative cheeses on the market. This makes plant-based cheese more accessible to a broad market of consumers than ever before.

Using a design-led mindset and practices, it has achieved rapid success. This Case Study unpacks how they did it and the results achieved.

Their journey, as told by their CEO Veronica Fil in an interview, has been mapped against a generic Design Process model.

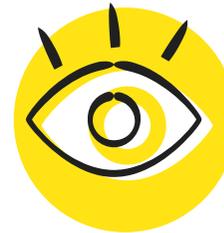


THE BUSINESS CHALLENGE



I was watching the growing market for plant-based, vegan alternative food and I could see that cheese was a massive gap. In our kitchen, we made a formulation that we thought worked, now we just had to scale it.

Veronica Fil, CEO
Grounded Foods Co.



DEFINE

Ensure the right problem is being solved and then solving it in the best way possible.

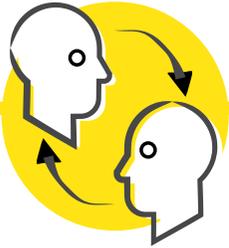
“My partner, chef Shaun Quade and I, felt that existing dairy alternatives to cheese tasted terrible!

Research also told us that those cheeses were made from only two formulations, either from nuts or coconut oil. Expensive to produce, not environmentally sustainable or allergen-friendly, these two formulations had been used for years. The category was ripe for innovation.

We thought that if we could create an insanely tasty cheese out of plants, that would appeal to everyday people (not just a small audience of vegans) they will happily buy it as an alternative. That’s a much larger consumer base to build a business around plus we wanted to rather aggressively avoid targeting vegans as vegan cheese has a terrible reputation. If we were to have any success at all, we simply couldn’t be put into that category.

If we could make it from ingredients close to the source of production – not importing whatever is cheapest or easiest, and upcycle food waste, even better. We could genuinely shift consumer behaviour in a meaningful way.

After a lot of experimentation in our kitchen, we felt we had a formulation that worked - fermented ‘imperfect’ cauliflower and hemp. Now we just had to turn it into a product!”



EMPATHISE

Make sure you understand the needs, wants and desires of your customer or end-user at the deepest level possible to ensure you are solving their unmet needs.

“I’m a behavioural economist by background, I also ran my own marketing agency in the Food and Beverage Sector, so I had my finger on the pulse of **consumer insight and trends**.

From **extensive research**, I knew that the market for plant-based food was going to explode at some point. Veganism was already popular, maybe not mainstream, but it was clear what direction the industry was heading. I think that businesses that aren’t looking in that direction are soon going to get left behind. It’s the exact same with sustainability. So, there was no point us using ingredients that we already knew were not eco-friendly – nuts for instance. It’s just not environmentally sound or business resilient.

Research also revealed where the biggest market would be – the US. California, specifically, was the epicentre of all things plant-based. Not only was there a receptive market there, but there was also a large pool of investors.

Independently to my research, Shaun was telling me about the customers coming into his restaurants in Melbourne and Sydney with an increasing number of special dietary requests. This wasn’t always easy for the restaurant to manage, juggling different iterations of every menu item and it certainly wasn’t much fun for the customer. It got us thinking that if there was one foolproof option, it would help the restaurant as well as the customer.

I should mention that this research doesn’t ever stop. We are always updating our **audience personas**. We update them about every two months. In this space, trends are moving so quickly, and people are changing their tastes and preferences so rapidly, it’s critical to stay on top and respond accordingly.”



**CHEESE
FREE
CHEESE**

MADE WITH CAULIFLOWER + HEMP, NO SH*!T!



IDEATE

Generate innovative ideas to help solve those needs and desires. Take the best idea and pursue further to find the most feasible for the company, most viable commercially and most desirable to the customer.

“Shaun is an R&D wizard, known for delighting customer’s senses with unusual ingredients in his restaurants! He tried all sorts of combinations of ingredients.

It was after serving up a cauliflower dish and seeing all the leaves and stems and bruised bits going to waste that he started to experiment with it and try out different fermentation techniques.

We were also noticing how large CBD oil and the wider cannabis industry were becoming in California. It was booming – a huge emerging trend. It got us thinking about how we could tap into that.

Not to use the active ingredient to make our customers high, but to see if we could use hemp waste in any way, as well as give our brand an appealing edge.

With FIAL’s help, we were chosen as one of six Australian-based start-ups in the Seeds of Change Accelerator (a partnership with FIAL and MARS Food Australia) to fast-track the growth of innovative food-focused businesses.

100%
PLANT BASED
DAIRY FREE
NUT FREE
GLUTEN FREE
SOY FREE
NON GMO • KETO



We got some key help thinking through how to design our business model, what channels of distribution we were going to go after, how we were going to grow and getting the right mentors around legal advice and **strategy**. It was really pivotal.

Within two months of being in the Accelerator program, we had attracted our first round of venture capital, and had moved to the US to commercialise the concept.”



PROTOTYPE/ TEST

Take the best idea and turn it into a realistic outcome so that it can be tested and critiqued so that any flaws can be identified and re-designed. The final prototype is tested and validated.

“Shaun tested out the cheese on discerning restaurant customers. He was watching their expressions, getting immediate feedback and tweaking the formulation multiple times. This is how we arrived at the final formulation of fermented ‘imperfect’ cauliflower and hemp. The process was very iterative.

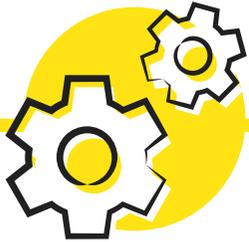
We were lucky that restaurant environments generally have an international clientele, so we could try it out with visiting Americans. As we had identified that market as key, we were heartened to get such a great response.

As part of our day jobs, we also took part in some pop-up dining events in the US backed by Tourism Australia. By that time, we had multiple cheese products – around 35. We had butters, creams etc and we could try them all out and see what resonated.

Coupled with early market sampling and informal online sales, all of this activity helped us work out the consumer mindset and informed which products we should launch first, and which ones to keep up our sleeve.

We talk to our customers constantly. One of the benefits of being a start-up, is that we enjoy a close relationship with our customers. After we launch a new product, we contact them personally, not through some e-mail marketing campaign. They are happy to tell us how it was received, if the packaging was ok, or if there was anything we could have done better.”





EXECUTE

Use what we have learned about the customer to inform how we proceed.

“By understanding what our customer wanted and where our largest market was located, it informed our:

PRODUCT

We're the first commercial plant-based cheese brand that's using cauliflower and hemp as the basis of our products. Based on consumer feedback, we launched initially with three products: Hemp Seed Goat Cheese, Hemp Seed Cream Cheese and our Cheese free Cheese sauce. We have managed to crack the flavour of the product so that it is in no way a compromise compared to real cheese. It simply wouldn't have appealed to the market, as much as it has.

Initially, we launched direct to consumer in the US, but this was a marketing play, simply to build brand awareness. Now we are also selling to retailers across the US with a view to opening up food service in the future – once the restaurant trade is more secure post-COVID.

We have patented our product in the US, and we've already extended our patent and trademark into the EU, Australia and Canada.

BUSINESS MODEL DESIGN

We knew our business model needed to reflect the values of our customer and market. We designed a model that replicates the manufacturing process in the markets that we're selling the products, hiring local workers and using ingredients from that geography.

We have been extremely structured and strategic in how we've **built the brand**. We worked out very quickly that we had to avoid the vegan audience in our branding and messaging. It's really important to us that we get traction with a broader audience first, of just everyday people that are just interested in trying something that is novel, that is healthier for them, that's more sustainable and avoid being pigeonholed as just yet another vegan product. We're doing something wildly different, and it was important that this was communicated through our **brand identity** and all brand touchpoints, our **packaging design**, and our **digital channels** for example.



Our **visual identity** is sleek and sharp, it has a minimalist aesthetic of black and white. Just like the high-end restaurant that it was borne from, it needed to exude luxury and differentiation – it couldn't be the basic, tree-hugging stuff of other brands. We knew this would appeal more to the audience.

We have very strict rules around the **photography and styling** of our products and the **tone of voice** to use in marketing.

SUPPLY CHAIN DESIGN

We have 100% local supply chain. It's important to our customers, plus it's just the right thing to do. 90% of cauliflower in the US market is grown here in California, and of course there is a sizeable trade in hemp.

This has become ever more important to us since COVID-19 as we saw others struggle with their supply chains where even one link missing caused major issues for the whole chain. We definitely see the benefit of building as local a supply chain as possible, with local co-manufacturing, local workers and so on.

At the moment, it is actually more difficult and expensive for us to source imperfect produce from farmers. The infrastructure is not properly there yet, but we do it anyway, because that's part of our commitment as a company.

We're comfortable with change. If we need to design and redesign our systems and processes to achieve a better outcome, then we will.

ADVANCED MANUFACTURING APPROACH

There was no manufacturing facility in the world that could do what we needed it to do, because no one's ever done a product like this! If we were just another plant-based cheese company doing one of those tried-and-true nut or coconut oil formulations, we would have been fine. But we weren't, we had to create something entirely new!

We use a co-packing facility, but we needed to buy and custom design the equipment we needed that would give us the taste and texture profile that our customer expected. Our last funding round helped us with this. Shaun didn't have to change his kitchen bench top recipes, they worked at scale, which is extraordinary!



ENVIRONMENTAL AND SOCIAL IMPACT APPROACH

We're very conscious of the overall environmental footprint we make in producing Grounded products. This aligns with our consumer's values too. For that reason, exporting our products to the other side of the world just doesn't make sense right now. But here in the US where we sell online, we work hard to provide the most sustainable packaging solutions. We use recycled and recyclable cardboard boxes. We use recyclable plastic for our tubs and pouches, but we'd really rather not use it at all. Unfortunately, options are limited right now for wet food-safe alternatives.

Our ice packs that are packed with the cheese to keep it cool contain a biodegradable, nitrogen-based gel that doubles as plant food. And depending on a customer's location we have to use different types of insulation, like RenewLiner. It is PET plastic sourced from 100% recycled plastic water bottles. It's been recognised by the Cold Chain Global Forum as one of the most sustainable, temperature-controlled packaging materials available. Which is basically like winning an Oscar for cold chain logistics.

Overall, we believe that plant-based dairy alternatives are key to building a more sustainable and secure food supply chain for future generations. We choose not to use nuts in our products because they're extremely resource-intensive to process

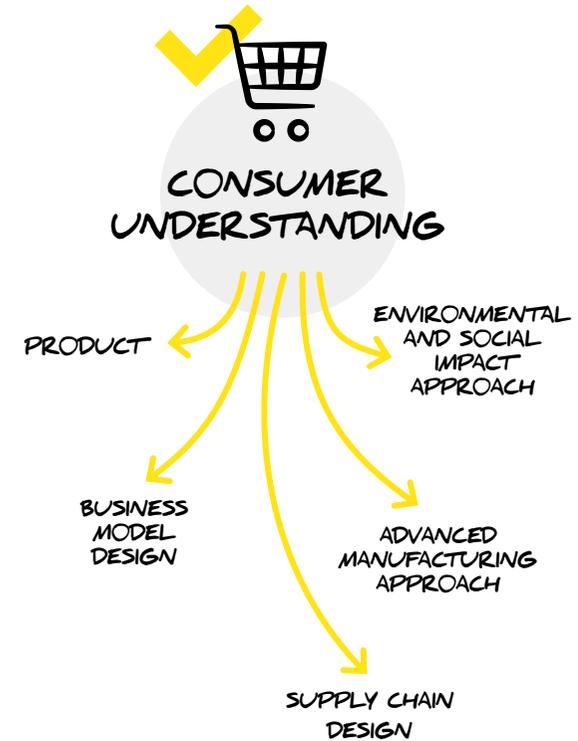
(and use far too much water). Cauliflower scraps and hemp, on the other hand, are far more environmentally resilient.

The future of dairy is completely unsustainable. The amount of water and environmental resources needed to manufacture dairy cheese is ridiculous and from an economic perspective, small-scale farmers don't get compensated fairly for their efforts. The entire system is archaic and inefficient.

We've set out to change that, and our consumers feel the same too."

What was your biggest learning and what, if anything, would you have done differently?

"I think that sometimes people forget how much strategy and planning and sheer obsession goes into starting a company – and try to skip the early work in order to reach the end goal faster. But from what I've observed, that's usually the longest road to success."



BUSINESS SUCCESS



“I had my finger on the pulse of consumer insight and trends. I was watching the growing market for plant-based foods and I could see that cheese was a massive gap.”

Veronica Fil, CEO
Grounded Foods Co.



SIX MONTHS

FROM FUNDING TO PRODUCT LAUNCH



US\$1.74M

SEED FUNDING SECURED



2,500+

US RETAILERS PROJECTED BY END 2021



US\$4K

IN ONLINE SALES IN FIRST 2 HOURS

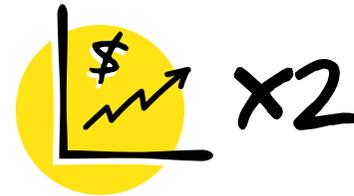
PATENTS AND TRADEMARKS IN:



GLOBAL EXPANSION PLANNED

The Australian Design Council is a not-for-profit industry body advocating for a design-led future for Australia to deliver long term growth and national prosperity. It champions the role of design in addressing complex social, economic and environmental challenges.

australiandesigncouncil.org



Higher returns for businesses that persisted in their investment in design – even during an economic slowdown – compared to those that reduced design investments to save costs.

Source: 'Creating Value by Design', DesignSingapore Council