Expect more partnerships between startups and big brands, says Unilever

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By Sandy Skrovan

Dive Brief:

- Food and drink partnerships between startups and big firms will continue to grow, Unilever Executive Vice President of Global Marketing Aline Santos said in a company-issued report titled "The State of Innovation," according to Food Manufacture.
- “Collaboration can no longer be viewed as an optional extra, it’s a strategic imperative. Start-ups are now widely recognized as invaluable sources of innovation, fueling growth and providing pioneering business solutions,” Santos said in the report.
- Unilever’s research finds that start-ups and large corporations agree on reasons for working together. Solving business problems in new ways that can scale is important to 89% of startups and 80% of corporations; learning something new was cited by 88% of start-ups and 85% of corporations; and 81% of both startups and corporations said improving efficiency is important.

Story continues below

Dive Insight:

Growth is the most obvious reason that the food and beverage industry will see an increasing level of collaboration and partnerships forged between startups and big consumer packaged goods companies. Big brands have been losing the innovation game to smaller and nimbler food startups that can more easily satisfy consumer demand for the interesting, unique and healthy — a factor that allows them to grab shelf space away from big CPGs. The top 25 food manufacturers' share of U.S. food and beverage retail sales declined from 66% in 2012 to 63% in 2015, according to a study from A.T. Kearney and The Hartman Group.

The Unilever report points to several benefits afforded to both parties through collaboration. This is why big food will continue to invest in and otherwise partner with startups — both food and beverage upstarts as well as tech companies. The partnership between Unilever's sauces and dressings brand Hellmann's and British on-demand grocery delivery startup Quiqup is an example cited by Food Manufacture.

A string of major manufacturers — including Chobani, General Mills, Nestle and PepsiCo — are making VC investments by launching their own internal groups or startup accelerators to help small companies scale up. The idea is that lessons from the startups can be applied to help grow their own businesses and keep them at the forefront of a rapidly changing market. Eventually, the startups could make good acquisition targets as well.

Insect snacks and seaweed protein companies are among the finalists of the PepsiCo Nutrition Greenhouse incubator, which the company established earlier this year. Members of Chobani's inaugural incubator class include makers of bone broth, meat snacks, chickpea pasta and a cold-pressed juice company that uses mostly recovered fruits and vegetables that would otherwise have become food waste. General Mills' 301 INC counts companies specializing in probiotics, plant-based protein and vegetable chips among its investments.

The roster of CPG/startup partnerships seems to be getting longer every day. In fact, Unilever's research finds that four out of five companies — big corporations and startups alike — anticipate more collaborative work in the future. It's too soon to tell whether partnering with startups can really move the needle for big food and beverage companies. But at the very least, CPGs should be able to pick up new ideas — in ingredients, processes, sustainability and technology — which could translate into meaningful differences when incorporated into existing businesses.

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