

MONDO FOODS, INC.

MEMORANDUM

To: Carla Peterson, Senior VP, Acquisitions
Helen Brown, Research & Development
Sam Winters, Production Manager
Sheila Goggin, Marketing Director

From: Chris Ranier, QA Manager

Date: March 5, 2019

Subject: Proposal to develop a line of Mondo-branded organic foods

PURPOSE

This is to propose that Mondo Foods develop an organic-foods product line. Consumers are increasingly demanding more organic food options. Entering the organic foods market will enable Mondo to regain market share that has been lost to our competitors who offer organic choices.

PROBLEM

Approximately 81% of families in the U.S. report that they buy organic foods at least occasionally. Market research indicates that retail sales of natural or organic foods increased by 13.5% from 2011 to 2012 (Daniells).

Since our founding in 1883, Mondo Foods has become one of the most well-known and respected food manufacturers, with dozens of products that are household names. However, our company's lack of an organic product line has caused a decline in our market share. Additionally, consumers view large, established food companies as non-innovative and slow to adapt to changing tastes and customer preferences.

SOLUTION

With our pending acquisition of Wild Valley Organics, Mondo will be in an excellent position to produce multiple lines of organic foods at that facility. Introducing Mondo's line of organic foods can provide new marketing opportunities by incorporating health and freshness cues to improve our products' appeal to health-conscious consumers. An example would be reformulating several of our most popular varieties of Grandma's Best soups to include only organic ingredients.

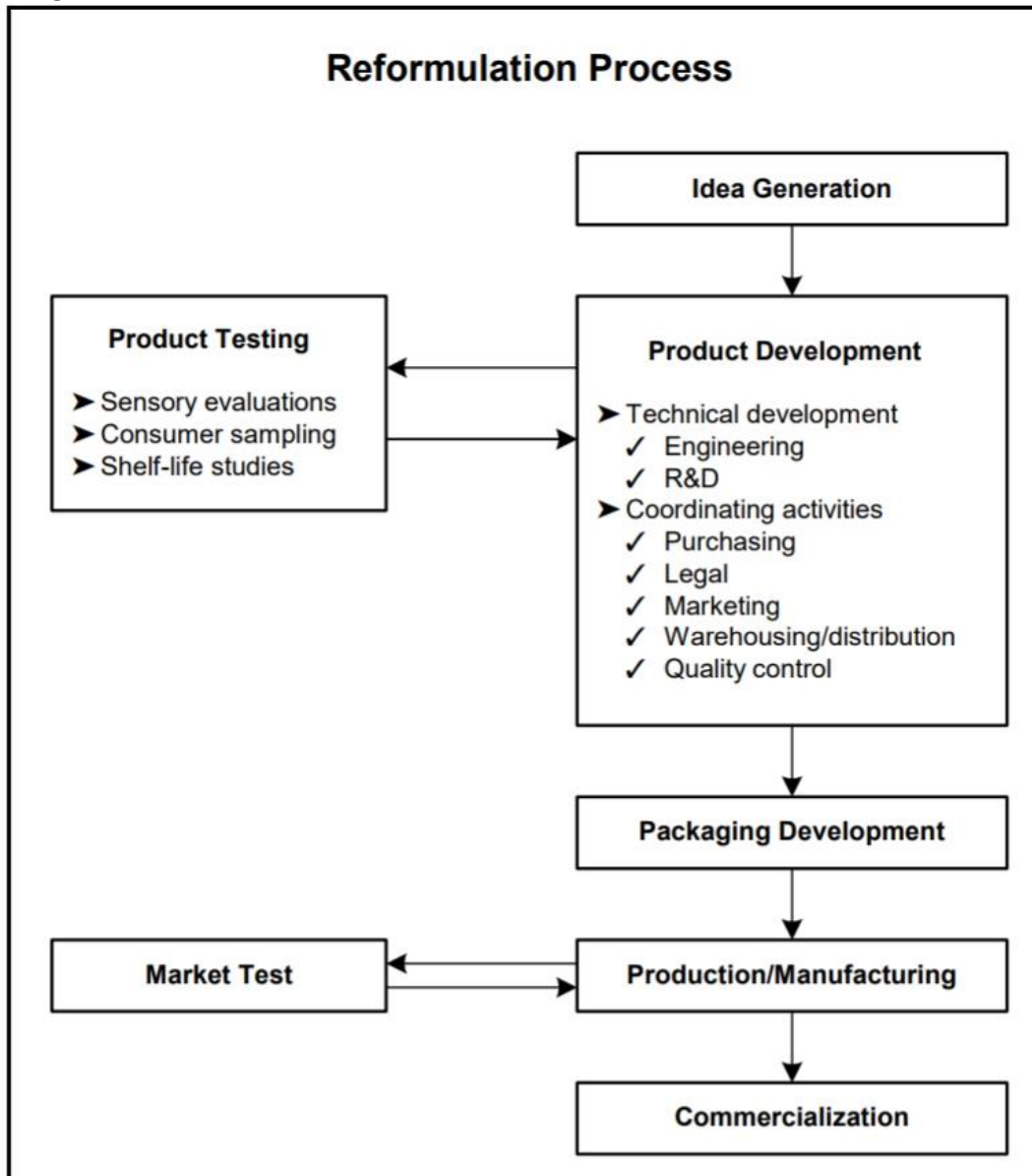
FEASIBILITY

The Wild Valley facility already manufactures a brand of organic products. Additionally, the facility is left with excess production capacity due to the discontinuation of its contract with ABC Group in January. Therefore, Wild Valley can produce multiple additional canned, jarred, and boxed products without significantly increasing its workforce.

TIMEFRAME

I have had preliminary discussions with Helen Brown (R&D), Sam Winters (Production), and Sheila Goggin (Marketing) about each of their department's abilities to work with three reformulated product lines within a six-month time frame. Each has estimated that the goal can be achieved, depending upon the type of products to be reformulated and the size of the product line. Figure 1 (White) shows the process for reformulating a product.

Figure 1. Reformulation Process



COST

Because packaging is the highest single cost involved in producing a new product (Gubisch), I recommend that Mondo Foods focus on reformulating products made in jars and cans. Packaging costs can be kept low throughout testing because only new labels are required.

Helen Brown suggested our Grandma's Best line of soups to consider for reformulation and production at the Wild Valley facility due to its location in Oregon, which—according to 2011 data—has the highest organic produce acreage in the U.S., not far behind California (USDA). Access to local fresh organic ingredients will minimize costs and allow us to advertise the products as containing locally sourced ingredients.

CONCLUSION

Mondo Foods is in a prime position with our pending acquisition of Wild Valley, which already has USDA Organic certification. A Mondo-branded line of organic foods will boost the public's perception of the Mondo brand as fresh and innovative. Lost market share can be regained from competitors already in the organic foods space.

I would be happy to discuss some ideas on which products we may want to target and how we can accomplish the project within a six-month time frame. Please let me know when you are available for a meeting.

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