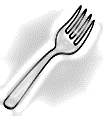
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To: Negotiators

From: Liam Marcus, The Founder of Mushroom, Inc.

Date: Fall 2020

Subject: Negotiating “Mushroom”: A Multinational Farm-to-Table Meal Kit Delivery Venture

This memorandum is in preparation for your virtual negotiations upcoming on October 5, 2020 regarding Mushroom, Inc.

“Mushroom” was named not just for the fungus but the verb, meaning to multiply, thrive, prosper, and proliferate. Mushroom, Inc. is our start-up business concept for a multinational organization: US, Australia, Japan, Italy, and France. It is envisioned as a combination between the Farm-to-Table movement and the business model of a Meal Kit Delivery Service.

In order to bring you up to speed for the upcoming negotiations, this memorandum has five distinct sections for your review. It is presented in bullet format, with helpful sources hyperlinked throughout. Feel free to check out the hyperlinked sources and take additional notes – this memorandum should be viewed as an outline you can use as a briefing tool rather than a comprehensive final report.

The five sections cover:

* The Basics of the Farm-to-Table Movement
* The Existing Meal Kit Delivery Service Business Model
* Mushroom: Combining Farm-to-Table with Meal Kits
* The Negotiating Parties
* The Issues to Be Covered in Negotiations

1. ***The Basics of the Farm-to-Table Movement***

* Farm-to-table, also called farm-to-fork, is a simple concept: People should be eating locally grown food that is not shipped long distances or preserved for long distance shipping.

<https://www.thespruceeats.com/farm-to-table-2216574>

<https://njaes.rutgers.edu/food-nutrition-health/farm-to-fork.php>

* Some restaurants hold themselves out as farm-to-table, a strategic differentiation strategy and, for some, an ethical calling.

<https://www.thrillist.com/eat/nation/what-it-really-means-when-a-restaurant-is-farm-to-table>

* For a while now, some think it’s a bit overdone.

<https://www.vanityfair.com/culture/2015/05/farm-to-table-what-does-it-mean-anymore>

* The movement has an interesting history, developing and clinging to the main principles of food security, proximity, self-reliance, and sustainability even as the economics of farming became more unstable.

<https://upserve.com/restaurant-insider/history-farm-table-movement/>

* One key element of a farm-to-table approach is transparency – the concept that people should be able to know where their food was grown and what has been done to it before it hits their plate. Modern technologies are being employed to improve transparency in farm-to-table in new and exciting ways.

<https://blog.foodlogiq.com/farm-to-table-supply-chain-transparency>

<https://medium.com/codewave/farm-to-table-blockchain-to-trace-food-back-to-its-source-74fd926ceea3>

* You find farm-to-table all over the United States. Not surprisingly, it has been around since 1970 in California. In Philadelphia, Judy Wicks helped start farm-to-table thinking and practice in the iconic White Dog Café in 1983.

<https://www.california.com/farm-table-movement-california/>

<https://www.universitycity.org/20thanniversary/9>

* Coronavirus, sadly, has taken its toll on the ability to achieve the farm-to-table results counted on by producers and consumers alike. Nonetheless, the virus has reinforced the importance of farm-to-table food supply and likely increased demand.

<https://www.nytimes.com/2020/04/09/dining/farm-to-table-coronavirus.html>

<https://www.usatoday.com/story/money/business/2020/04/04/coronavirus-tests-americas-food-supply-agriculture/5096382002/>

<https://www.businessinsider.com/the-demand-for-local-food-is-growing-2017-4>

* Internationally, the farm-to-table movement is thriving, though many countries view it less of a movement than the way they’ve been eating for generations. With the move to urban centers, farm-to-table is becoming more of a conscious decision and the market for it is exercising an increasing demand.

1. ***The Existing Meal Kit Delivery Service Business Model***

* If you’re not familiar with the meal kit industry, it’s been growing while you haven’t been paying attention to it. Sources seem to place its origin in 2011 in Sweden, but it’s grown a lot in a very short time! Check out the Wikipedia for an overview of the industry:

<https://en.wikipedia.org/wiki/Meal_kit>

* Meal kits are popular for two main reasons: people like to eat, and people are busy! Since HelloFresh, Blue Apron, and Home Chef came onto the scene in the late 2010 decade, people have been ordering these kits (or buying them in stores) and enjoying them.

<https://www.numerator.com/resources/blog/whos-and-whys-behind-meal-kit-buys#:~:text=The%20top%20two%20reasons%20for,bit%20farther%20down%20the%20list.>

* Surprisingly, these Meal Kits are good for the environment

<https://www.telegraph.co.uk/news/2019/04/24/meal-kits-better-environment-meals-cooked-supermarket-ingredients/>

<https://time.com/5573333/are-meal-kits-bad-environmental/>

<https://www.npr.org/sections/thesalt/2019/04/22/716010599/meal-kits-have-smaller-carbon-footprint-than-grocery-shopping-study-says#:~:text=Meal%20Kits%20Have%20A%20Smaller%20Carbon%20Footprint%20Than%20Grocery%20Shopping%2C%20Study%20Says,-Facebook&text=via%20Getty%20Images-,While%20it%20may%20seem%20that%20heaps%20of%20plastic%20from%20meal,actually%20produce%20less%20food%20waste.>

* There are, however, lots of challenges in the meal kits businesses:

<https://financialpost.com/pmn/business-pmn/blue-apron-latest-to-suffer-in-tough-meal-kit-market>

<https://www.eater.com/2019/2/26/18239767/meal-kits-bubble-grocery-stores-blue-apron-hello-fresh-doomed>

* Not everybody thinks meal kits are a good business model:

<https://www.forbes.com/sites/brittainladd/2018/12/03/amazon-icon-meals-and-mercatus-how-these-companies-are-driving-change-in-the-grocery-industry/#457a478f7d5b>

<https://www.marketwatch.com/story/meal-kit-sector-is-facing-a-shake-out-as-its-business-model-is-not-sustainable-2018-07-31#:~:text=The%20main%20problem%20facing%20meal,embrace%20the%20next%20food%20fad.>

* Some have speculated that meal kit companies will all eventually be acquired by other, bigger food service companies

<https://www.forbes.com/sites/brittainladd/2018/07/18/the-meal-kit-company-chefd-is-no-more-what-does-it-mean-for-the-meal-kit-industry/#69ac707d11bf>

<https://www.packagedfacts.com/Content/Blog/2018/12/07/Survival-of-the-Kittest-Why-Acquisitions-are-Key-to-Meal-Kit-Longevity>

[https://www.foodnavigator-usa.com/Article/2020/02/21/Blue-Apron-explores-a-sale-but-who-s-buying#](https://www.foodnavigator-usa.com/Article/2020/02/21/Blue-Apron-explores-a-sale-but-who-s-buying)

<https://www.foodnavigator-usa.com/Article/2019/05/22/Plant-based-meal-kit-co-Purple-Carrot-acquired-by-Japanese-online-grocer>

* Even HelloFresh itself has bought up a smaller meal kit delivery service

<https://www.foodbusinessnews.net/articles/12735-hellofresh-to-acquire-canadian-meal-kit-company>

* However, COVID-19 might have been a game changer in the future of this industry

<https://www.cleveland.com/entertainment/2020/04/meal-subscription-kits-skyrocketing-in-popularity-during-coronavirus-pandemic-see-composite-top-10.html>

<https://progressivegrocer.com/can-meal-kit-providers-emerge-stronger-2021>

<https://thecounter.org/are-meal-kits-the-future-of-restaurants-or-a-stopgap-covid-19/>

<https://www.cnbc.com/2020/05/22/how-coronavirus-pandemic-delivery-surge-gave-new-life-to-blue-apron.html>

<https://www.wsj.com/articles/meal-kits-thrive-during-coronavirus-lockdown-11588428000>

So, perhaps meal kits in their various brands and forms are a viable business model in our modern, fast-paced society whether we are socially distancing or not.

1. ***Mushroom: Combining Farm-to-Table with Meal Kits***

* There are, of course, variations from meal kit company to meal kit company. For example, Grubby is a meal kit company based in the United Kingdom that specializes in plant-based meals. Purple Carrot is another plant-based meal kit company.

<https://www.getgrubby.co.uk/>

<https://www.purplecarrot.com/>

* True to Forbes’ commentary (above), larger companies have been buying up meal kit companies.
  + Kroeger bought Home Chef in 2018

<https://www.wsj.com/articles/kroger-buys-meal-kit-company-home-chef-in-latest-online-acquisition-1527106553#:~:text=Kroger%20Co.,the%20supermarket%20chain's%20online%20business.>

* + And both Grubby and Purple Carrot have already been “partnered with” or bought by larger food service companies

<https://northerneurope.aramark.com/about-us/news/uk-ireland/aramark-launches-grubby-partnership-in-the-uk>

<https://thespoon.tech/plant-based-meal-kit-company-purple-carrot-acquired-by-japanese-grocer-oisix-last-month/>

* Our goal: We want to build our own boutique, specialized meal delivery kit company (Mushroom) over the next three years so that it is strong enough to stand on its own and thrive, or so that it is a tempting possibility for Sodexo or one of the other major players to want to buy it from us.
* The biggest strength of Mushroom is its strategic differentiation from other meal delivery kits – it combines the strength of the farm-to-table movement with the appeal of a meal delivery kit.
* The next biggest strength of Mushroom is its country-centric focus for each location combined with their connection to each other in a multi-national organization. This will make it appealing to investors and potential buyers in the future.
* Finally, we want Mushroom to be the start of things to come. Our commitment is to the environment and the health of the human population as a whole – eating fresh food without preservatives and artificial ingredients is central to that commitment. Supporting local farms and vineyards and fisheries is central to that commitment. Encouraging people to cook at home – and helping them learn basic cooking skills – is central to that commitment. We aren’t just building a business here … we are advancing an essential element to the survival of humankind and the planet humans inhabit. Please keep this at the forefront of your mind when you are in these negotiations. We do not want to lose our forest while negotiating over a tree.
* The form of the organization will be a (small) multi-national corporation headquartered in the U.S. in Philadelphia. There will be a nominal Mushroom presence in the US as we start, and it will follow the guidelines agreed to by the negotiation teams in your negotiations. After the four planned international locations are up and running, we will expand our U.S. operations.
* The business model is to market to offices (where workers who have ordered in the morning can pick up a Mushroom Box as they leave at the end of the day) and for home delivery. We think we can manage two dinner menus every day so that the customers have a choice.
* We have already set up the U.S. Headquarters and minimal Mushroom presence in the U.S. Based on our business model, we have an investor willing to fund our international startup costs up to $2 million U.S., and we will be seeking additional investors for our early operations.

1. ***The Negotiating Parties – We have picked the top chefs and businesspeople from the following countries to work together on the issues to be covered in negotiation. The countries where we desire to open initial locations are:***

* Australia
* Japan
* France
* Italy

1. ***The Issues to be Covered in Negotiation***

* **Centralization/Decentralization of Operations:** Who does the decision-making concerning suppliers, labor, menu items, and pricing – home office (U.S.), agreement of the four international locations, agreement of all five locations, or someone else? For example,
  + Who hires the chefs?
  + Who picks the supplying “farms” (dairy, beef, vegetables, fish, etc.)
  + Who determines what menus will offer, and when those menus are offered?
  + Who decides pricing?

Note: You don’t need to decide the answer to these issues – you need to decide WHO DECIDES the answer to these issues when the need arises at the various locations.

* **Centralization/Decentralization of Strategy and Marketing:** Who does the decision-making concerning business strategy, marketing efforts, public relations, events, etc.? Does there need to be some consistency among the locations? Uniformity of the Mushroom approach? For example,
  + Should each location determine a “look” that is their own or should there be consistency?
  + Will there be a uniform? Who decides on this? Headquarters (U.S.), each location, or some combination of those?
  + What should the packaging of these kits look like? Will there be plastic? Is paper going to be compostable?
  + What public relations and publicity efforts makes sense?
  + What events will Mushroom partner in (farm market events, music events, etc.) and which ones will they decline?

You don’t need to decide the *answer* to these issues – you need to decide WHO DECIDES the answer to these issues when they arise at the various locations.

* **Sharing of Initial Investment Funds:** (equally, unequally)
  + Should each location get the same starting budget?
  + Should local conditions affect the amount of the budget?

You need to decide the answer to this issue.

* **Purity of Farm-to-Table Standards:** You need to reach agreement on the stringency with which our menus will be farm-to-table. For example:
  + Will all Mushroom locations hold to the same standard of faithfulness to farm-to-table food? Or will locations differ?
  + Will some regionally unavailable items be included in the menus/ingredients if necessary, for the menu? Or is this not an acceptable approach?

You need to decide the answer to these issues.

* **Location**: You need to pick either an urban or suburban location for each country’s Mushroom operation to be based from. In the future, additional locations can be added but this is the location for the flagship – most prominent – operations. You need to decide the answer to this issue for each country’s Mushroom headquarters.

It is our hope that you will be able to come to some agreement in these negotiations among the four participating negotiation teams. There is no mandate from the U.S. on any of these issues – we are leaving it to the four negotiation teams to determine what is best for Mushroom going forward. In order to reach agreement on an issue, it is not necessary for you to be unanimous. If three negotiating teams out of four agree, the fourth will have to go along on that issue.

However, at any point, any negotiating team can walk away from this venture entirely. So, although you do not need unanimity, be careful not to alienate a country participant to that point. Our strength and our success as a business depends on all of us working together.