MUMFORD
SOLE
PARTNERS

Digital Enterprise Program

To Become Digital, Think Digital

"When digital transformation is done right, it's like a caterpillar turning into a butterfly, but when done wrong, all you have is a really fast caterpillar."

GEORGE WESTERMAN, PRINCIPAL RESEARCH SCIENTIST WITH THE MIT SLOAN INITIATIVE ON THE DIGITAL ECONOMY

- Digital companies have a different concept of what it means to be a company, which is a commonly overlooked foundation for operating differently
- Sweetgreen, a leader in digitizing the food sector, demonstrates the different thought processes that underlie digital operating models
- Cutting edge technology is crucial but secondary; the ability to flexibly execute on a mission is what defines a digital company

Sponsored by

DOMO

Thinking Digital

Everyone is either reading about, writing about, or somehow pursuing digital transformation. But for the most part, companies have been far too focused on the trappings of digital. Digital is of course about data and machine learning and deeply understanding customers – but these things on their own do not add up to a truly digital company. More than anything else, digital companies will succeed in the long term based on whether they can quickly identify new opportunities that arise in dynamic digital markets and successfully execute on them before and/or better than anyone else. **Becoming digital involves adopting a new understanding of what a company can and should be, and a new vantage point from which to generate strategy: seeing the company as a node in a market that is a complex ecosystem.**

On this front, the salad chain Sweetgreen is pushing the boundaries.

While the food industry is among the slowest to embrace digitization, "[it] is the largest content category in the world," according Noah Wintroub, a vice chairman at J.P. Morgan. We have waved our arms and wrung our hands over the waves of disruption and transformation in the music industry, the media industry, and the ad industry, but we cannot subsist off bits, so food has been a much tougher nut to crack. Many have tried and failed to make a dent by simply throwing technology at it – but Sweetgreen has put food culture first, with technology playing a key supporting role. For this reason, Sweetgreen is a great

example of how ecosystem thinking can enable a company to be greater than the sum of its parts.

Sweetgreen Delivers On its Value Proposition in 360 Degrees

Co-founders Jonathan Neman, Nathan Ru, and Nicholas Jammet founded Sweetgreen in order to provide an accessible way for people to get food that makes them feel as good as it tastes. But what makes Sweetgreen a digital company is not that it applies technology to the restaurants that it has initially built – it is *because it uses technology to continually expand the set of possibilities that it is pursuing to deliver on its mission*.

To understand how Sweetgreen does this, you have to look at how the company interacts with both its customers and its supplier partners. While it is common to associate customer centricity with digital business, the role of true partnerships is often overlooked as a means to deliver more value, more efficiently.

Sweetgreen is constantly thinking of new ways to drive more personalization, convenience, trust, and better experiences for its customers:

PERSONALIZATION: Menus are completely personalized – not just by taste preferences and past orders, but also by nutritional needs; a lactose-intolerant customer will see a completely different menu from a vegetarian customer. Around 50 percent of orders come in through its mobile app and this figure is growing by 50 percent year-over-year… primarily because the app genuinely makes customers' lives easier.

"When you go on Amazon, it knows exactly where you are and what you want. With food, we experience this constant indecision. How many times a week you think, 'what should we eat?' That's why people love these restaurants where the chef chooses the menu: 'Just shut up and eat – this is how it's supposed to be done.' We want to do that at scale."

JONATHAN NEMAN, CO-FOUNDER, SWEETGREEN

CONVENIENCE: Ordering via the app allows customers to skip the line. Through its Outpost program, Sweetgreen delivers customized orders to kiosks in corporate headquarters – for free. This allows the company to expand production volumes far beyond the ceiling imposed by physical restaurants without having to build new stores. Instead of a cost-cutting strategy, this feels like an amenity for employees who enjoy the convenience of quick access to healthy lunch options. "Our mantra is to meet customers wherever they are so we can make healthy eating as easy as possible," says co-founder Jonathan Neman.

TRUST: In order to deliver on *both* taste and health, Sweetgreen sources most ingredients from local farmers based on relationships that it establishes long before it sets up shop in a new city. For ingredients that it cannot source locally, the company buys from national organic farms. This is unique in an industry that takes sourcing from distributors for granted, and its commitment to local and organic is particularly meaningful for customers during a time generally characterized by low trust in our current food system. Whatever Sweetgreen loses in supply chain efficiency, it gains in quality and customer loyalty. But now the company has

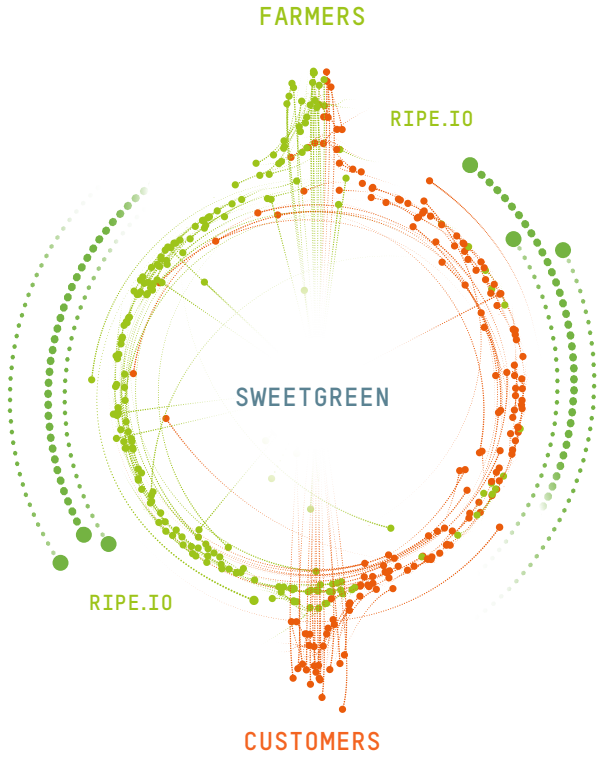
gone even further: through a partnership with food blockchain company, Ripe.io, it is pursuing 100% traceability. Thanks to the sensors that Ripe.io tags produce with, it will be possible to verify where each ingredient came from, when it was picked, and when it hit stores.

EXPERIENCE: In addition to truly prioritizing quality and taste, Sweetgreen rotates its menus five times a year in every location based on whatever is in season in that locale – often with the help of celebrity chef collaborators.

But Sweetgreen does not pull all this off alone. In order to make it work, the company must rely on its suppliers as well as partners, while committing to look out for *their* best interests.

Sweetgreen also demonstrates how partnership plays into its ability to broadly and flexibly deliver value to its customers:

TREATING SUPPLIERS AS PARTNERS: Co-founder Nathan Ru emphasizes the importance of developing real relationships with suppliers. "Don't just view your partners or suppliers as inputs or cogs in your operations; take a long-run view and think of each one as an opportunity to build a real



relationship that can grow wildly beyond where you first started," he advises. "We partnered with our goat cheese provider in the D.C. region, Firefly Farms, back when we were both really small. Eleven years later, we still work with them and their business has grown alongside ours."

MOVING BEYOND TRANSACTIONAL RELATIONSHIPS: When New England's entire peach crop was wiped out by an enormous snow storm in 2016, Sweetgreen's supply chain team was in a bind because none of its existing suppliers could supply the star ingredient in its popular peach and goat cheese bowl. But instead of trucking in less-fresh peaches from whatever suppliers they could find and dropping its existing partners, Sweetgreen worked *with* its farmer partners by using their blueberries and strawberries in the dish instead. Thus, the Patriot bowl was born, which quickly became one of the most popular orders in the northeast. Similarly, when its suppliers had a glut of parsnips and sunchokes, Sweetgreen introduced the Miso bowl, another top-selling seasonal favorite.

CREATING OPPORTUNITIES FOR MUTUAL BENEFIT: In addition to enabling 100% supply chain traceability, Sweetgreen's partner, Ripe.io, also tracks taste elements of the produce that it tags (such as sugar and salt content) as well as the micronutrients in the soil. As this data accumulates it will allow farmers to have more insight into and control over growing the tastiest produce.

CO-EXPERIMENTATION: In addition to soliciting celebrity chef, Dan Barber's, expertise to contribute to its seasonal menu, Sweetgreen

has also partnered with the seed company he has started, which breeds new strains of vegetables to maximize flavor. The chain decided to buy 100,000 seeds of a squash he invented and cultivated them in six farms across the country. "We put it on the fall menu at every location," says Ru. "That's not something most fast-food companies would do, but for us, it's about showing our customers a different side of food and making sure purpose permeates throughout our brand."

What really sets Sweetgreen apart is not simply that it engages in partnerships, but *how* it approaches and develops those partnerships: namely, they're not primarily driven by contracts. Sure, contracts are a necessary element, but the most successful partnerships are the ones that are allowed to evolve past expectations fixed at the outset. According to Ru, "The relationships that have been the biggest successes for us have always been the ones where the brainstorming and execution were seamless," he says. The nature of the relationship ends up being more important than what everyone initially agreed to, and there are significant benefits to growing together as organizations.

Digital Companies Think Like Nodes in an Ecosystem

There are plenty of players today looking to "digitally disrupt" food at every point in the conventional supply chain. But exclusively focusing on the disruption element is causing some companies to underemphasize the value aspect. **The most important, yet most overlooked feature of digital companies is that they understand how to direct and manage the complex patterns in which value flows in digital markets.** Thus far, Sweetgreen has been

focused on optimizing these value flows: it operates as *a node in an ecosystem* where value is dynamically created, enhanced or captured by any stakeholder in any sequence.

Digitization changes assumptions that guide key strategic decisions – decisions about how best to go to market (alone or with partners), and how to design and execute on business models. It also challenges existing assumptions around how best to pursue partnerships; in dynamic digital markets, looser couplings that have the freedom to naturally grow or unwind will confer more mutual benefit. In short, companies that want to successfully compete in digital markets will adopt an ecosystem-driven approach. To become digital, they will first think digital.

In the following installments of this series, we will provide a deep-dive into the key elements of an ecosystem-driven approach to business:

- Digital markets that are defined by dense, instantaneous connections truly are ecosystems. Value is created, recycled, and consumed by any stakeholder, in any configuration.
- Companies that succeed in this environment think and act as nodes in an ecosystem.
- They figure out how to operate in a way that lets them not only sense opportunities as they arise, but also to execute on them. Pursuing partnerships is a massive but underutilized tool for achieving such agility.
- In order to provide speed, these partnerships do not take the form of traditional joint ventures or heavy-weight enterprise software deals that get precisely spelled out by contracts; they are much lighter-weight collaborations that can be quickly spun up or down as needed.

MUMFORD
SOLE
PARTNERS

Mumford Sole Partners, Inc.
110 West 13th Street, New York, NY 10011
www.MumfordSolePartners.com
Office@MumfordSole.com