VALUE GENE
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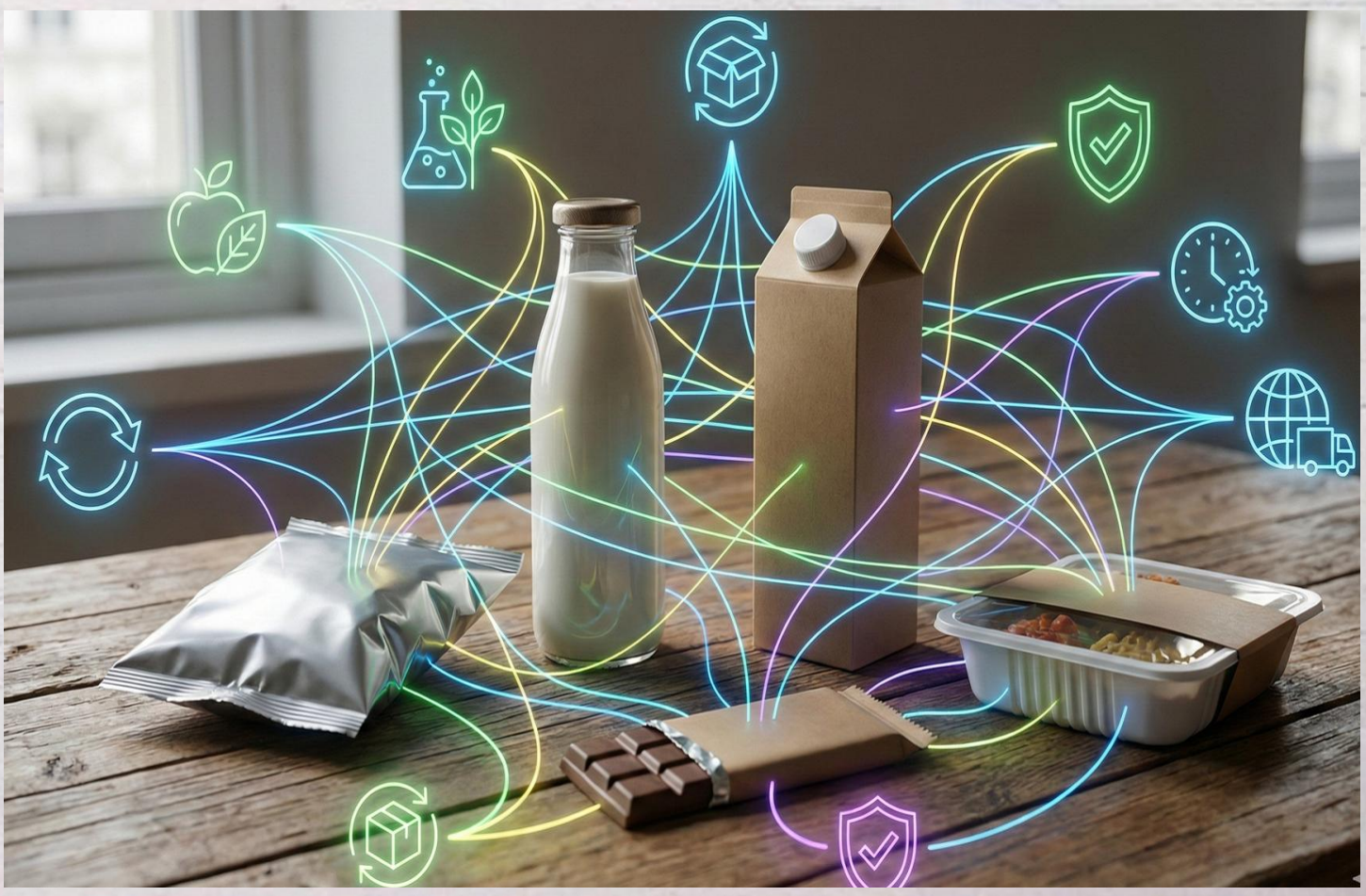

From Recipe Tweaks to Reformulation as an Operating Model

March 4th, 2026

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David Thomas, PhD, former Chief Research & Development Officer

Charlie Chappell, Global Growth & Innovation Leader

Susan Bond, Chief Regulatory Strategist, The B2B Builder

Carrie Schroeder, Growth Strategist, The B2B Builder

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Executive Summary

Reformulation has long been part of food manufacturing. Companies have adjusted recipes in response to regulation, consumer expectations, ingredient economics, supply disruption, and evolving guidance. Today, more requirements can bind simultaneously, vary across customers and jurisdictions, and arrive with fixed cutover dates and higher proof expectations. Definitions of “acceptable” vary by retailer, channel, and claim set. Under these conditions, reformulation can no longer be managed as isolated product work. It must be run as a coordinated, repeatable operating capability.

The commercial impact is immediate. Our analysis shows these changes are expected to **put roughly 15–40% of SKUs** under **reformulation pressure** over a five-year horizon in many large portfolios. Inside organizations, this pressure exposes the real bottleneck: **alignment and decision closure**. Reformulation cuts across R&D, procurement, quality, regulatory, operations, and commercial teams, each carrying different risks and incentives. When decisions are delayed, feasible options narrow quickly as time windows close and capacity fills. Based on **comprehensive literature review,** ongoing **unit production costs** typically increase in the **3–15%** range (with certain categories reaching up to 30% depending on the product and extent of change), execution delays of **six to twelve months**, or forced tradeoffs that weaken margins, disrupt operations, or risk shelf access. The cost is not only the cost of change, but the cost of being cornered into suboptimal paths.

The solution is to build a repeatable operating model that can absorb continuous change. This means treating reformulation as a portfolio discipline that balances value creation, risk management, and execution across the product base instead of reacting SKU by SKU under deadline pressure. Companies need a clear way to identify where reformulation can strengthen consumer value or brand position, where it puts margins or operations at risk, and where tradeoffs must be made early.

This model begins by translating external and internal signals into clear portfolio implications. Consumer expectations, customer-specific standards,

and the regulatory pipeline must be mapped into concrete SKU exposure, timing, and decision requirements. These pressures then need to be assessed against internal realities, including margin structure, R&D and plant capacity, and supplier resilience. The result is a practical fact base for determining what must change, what is feasible, and where the economics justify action.

Companies must then stress-test reformulation options across the value chain before committing. A technically workable substitute is not enough; viable solutions must also clear sourcing constraints, preserve manufacturability, protect margin, and sustain customer acceptance. This requires an integrated assessment across procurement, operations, R&D, regulatory, and commercial teams so decisions reflect real operating conditions, not lab-only assumptions.

Sustainable reformulation depends on disciplined prioritization and execution. Companies need a product-level framework that separates growth opportunities from neutral changes and downside-risk items, then converts those choices into a sequenced three- to five-year roadmap.

Reformulation must sit firmly on the C-level agenda, with clear ownership from senior leadership. When backed by strong governance, defined decision rights, and visible milestones from trials through launch, it becomes a managed enterprise capability rather than a recurring source of disruption.

"Reformulation as an operating capability is most effective when it is treated as an enterprise directive, not a back-room technical exercise. Without clear C-suite sponsorship and broad cross-functional leadership, initiatives stall under competing priorities and resource bottlenecks. When successfully managed as a structured, program, reformulation can protect compliance, unlock productivity, and deliver sustainable value."

— David Thomas, PhD, former Chief Research & Development Officer

Why Reformulation is Harder Now

As consumer, retailer and regulatory pressure intensifies, product specifications sit within a denser constraint structure. More requirements apply at the same time. They originate from different authorities, differ by market, and channel, and extend beyond formulation into sourcing, manufacturing, labeling, and commercial execution. Compliance is tied to explicit timelines and verification standards. This heavier constraint system can be understood through five structural properties.

Rising Complexity of Multi-dimensional Constraints

Reformulation was historically organized around a small number of dominant change programs. When a major requirement emerged, it often defined a discrete, time-bounded effort.

In the 2021-2025 period, reformulation pressure was less often concentrated in one program at a time. A product may face evolving federal guidance, expanding ingredient restrictions from major retailers, and tightening nutrition or claims expectations concurrently. The practical effect is that formulation work is reopened more frequently within a typical three- to four-year product cycle rather than managed as a single isolated, partially hydrogenated oil (PHO)-style effort.

Reformulation no longer centers on clearing one dominant requirement and sequencing the rest. Nutrition targets, ingredient restrictions, claims eligibility, cost limits, sustainability expectations, and customer standards increasingly apply at the same time. A formulation that fails on any one dimension is unacceptable, even if it satisfies the others.

At the same time, constraints have become more explicit and itemized. Earlier standards were often framed as broad “free-from” positioning. Current rulebooks and guidance increasingly specify named additives, processing aids, and category-specific thresholds that translate directly into formulation conditions, besides the increasing number of certifications a product can have, like non-GMO, Organic, Fair Trade, Kosher, Halal among others.

In addition to these requirements, the spotlight on so-called “chemicals of concern” (e.g., PFAS, heavy metals) within the food industry is becoming

more intense and these substances are often highlighted by both consumer and regulatory entities across a variety of food and beverage applications. Clearance now requires satisfying a larger number of specific requirements at once rather than aligning to a small set of general principles.

Table 1. Ingredient Standards of Selected U.S. Retailers and Foodservice Chains (Early 2010s vs. 2025)

Retailers and Foodservice Chains	Early Standards (2010-2015)	Current Standards (2025)	Key Changes
Whole Foods	Published Unacceptable Ingredients List covering 50+ ingredients	Over 300 ingredients listed as unacceptable	Periodic expansion of Unacceptable Ingredients List
Walmart	Limited public ingredient standards; general guidelines	40+ specific ingredient removals by 2027	Company-wide private brand commitment announced in 2025
Kroger	Launched Simple Truth brand positioned as free-from 101 artificial ingredients	Expanded and formalized ingredient standards for private brands	Shift from brand-level positioning to formalized ingredient standards
Target	Early public ingredient standards in beauty; limited food standards	"Made without" ingredient standards for owned brands, including food	Expanded ingredient standards into owned food brands in the 2020s
Panera Bread	Launched "No No List" initiative with a limited number of ingredient exclusions	Over 150 ingredients listed as unacceptable	Applied across core menu items

Source: Corporate disclosures (sustainability reports, published ingredient standards, private-label policies), Value Gene Analysis

The U.S. regulatory environment remains less restrictive than the European landscape, highlighting the gap in compliance standards. As of February 2026, the number of authorized food additives in the U.S (~4,000) is 20% higher than in the European Union (~3,300). The divergence in food contact substances is even more substantial, with U.S. authorizations (~5,000) five times higher than in Europe (~900). While upcoming food contact regulations may not match the complexity of direct reformulation, they will still increase compliance burdens and complicate sourcing conditions.

As a result, reformulation has shifted from sequential problem solving to multi-objective balancing. Teams can no longer solve for one variable and defer the rest. As constraint dimensionality increases, the feasible solution space narrows and coordination must move upstream across functions.

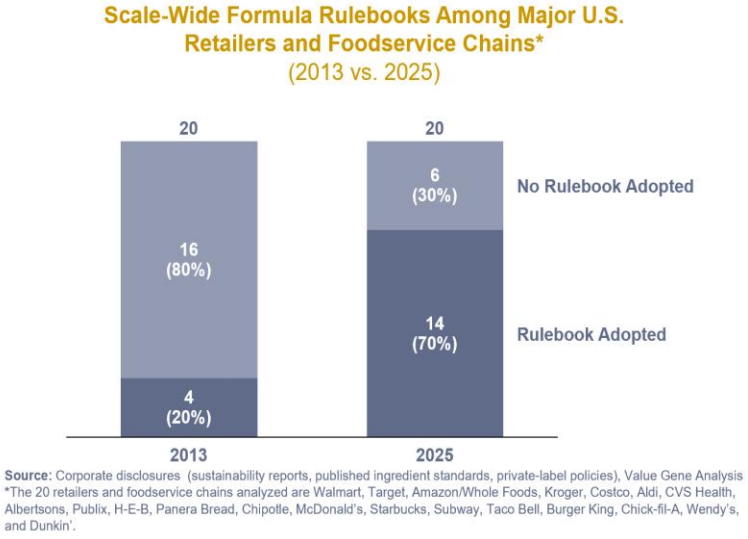
> *"Episodic responses may have worked in the past, but in today's environment they create fragmented execution, chaotic implementation, and leave significant value on the table. Reformulation should be led not as a risk-management exercise, but as an enterprise-wide value creation agenda."*
>
> *— Charlie Chappell, Growth & Innovation Leader*

Increase in Non-uniform Rule Sets

In the U.S., reformulation is increasingly shaped by fragmented rules. The acceptable product is less often a single national target and more often a set of materially different compliance targets across retailers, channels, and regulations. As a result, a universal SKU or specification becomes harder to sustain without converging to the strictest common definition or deliberately splitting specifications by context. This fragmentation arises from three distinct sources: codified buyer standards, jurisdictional rulemaking, and commercially binding consumer expectations.

The first source is codified buyer divergence. Large retailers and foodservice operators publish non-identical standards that are operationally binding at the item specification level. Each defines its own allowed inputs, thresholds, and claim rules, and those definitions do not fully align. Fragmentation becomes real when a product that is compliant for one scaled buyer is not automatically compliant for another without modification.

Today, national-scale retailers and foodservice operators increasingly publish ingredient standards that function as conditions of doing business, particularly for private brand and chain menus.



Panera Bread, Whole Foods Market, and Trader Joe's utilize distinct exclusion architectures, ranging from itemized lists to principle-based

prohibitions. Panera's "No No List" overlaps with Whole Foods' banned ingredient list at 85–90%, though it retains specific outliers such as triacetin and certain caramel color classes that are not explicitly in Whole Foods' standards. By contrast, Trader Joe's framework captures 35–45% of Whole Foods' molecule-level bans, underscoring that divergence across retailers is structural rather than merely quantitative.

A second source is jurisdictional divergence at the state level, where some states prohibit or constrain certain additives or packaging materials and others do not.

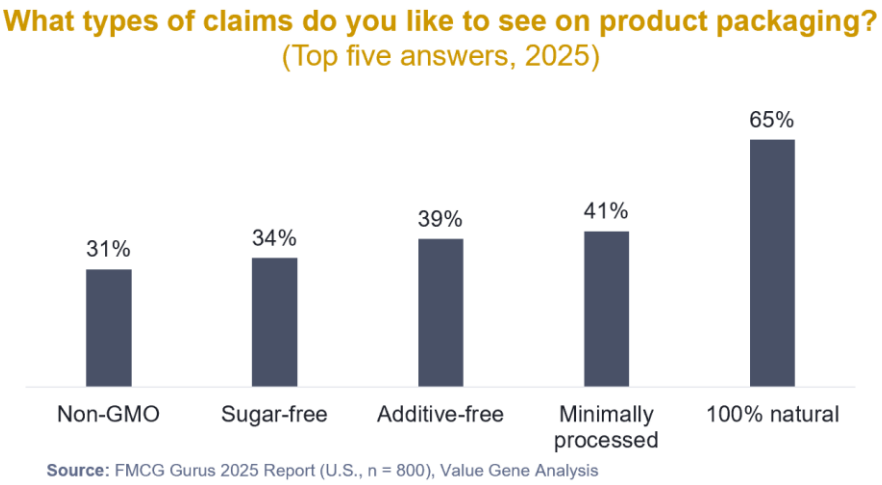
As of February 2026, recent state actions illustrate how this variance plays out across different restriction classes. In the area of synthetic color additives, California has adopted one of the broadest ingredient bans, covering multiple dyes and related additives across separate statutes, while other states have taken narrower or more targeted approaches. In parallel, states such as Illinois and Maryland have introduced statutory limits targeting contaminants in baby food, creating compliance requirements tied to a specific product category rather than the general retail food supply.

Table 2. State-Level Divergence in Food-Related Chemical Restrictions

State	Restricted Substance(s)
California	Potassium Bromate, Propylparaben | Red 40, Yellow 5, Yellow 6, Blue 1, Blue 2, Green 3 in School Foods
West Virginia	Red 40, Yellow 5, Yellow 6, Blue 1, Blue 2, Green 3, BHA, Propylparaben
New York	Potassium Bromate, Propylparaben
Utah	Blue 1, Blue 2, Green 3, Red 40, Yellow 5, Yellow 6, Potassium Bromate, Propylparaben in School Foods
Illinois	Potassium Bromate, Propylparaben | Heavy Metals in Baby Foods
Washington	Bisphenols in Thermal Paper/Receipts
Maryland	Heavy Metals in Baby Foods

Source: State Statutes, Value Gene Analysis

A third source is commercial divergence driven by consumer expectations. As the 2025 FMCG Gurus data shows, 65% of U.S. consumers say they want to see "100% natural" claims on packaging, while only 31% prioritize non-GMO claims and 34% prioritize sugar-free. Other cues such as additive-free (39%) and minimally processed (41%) fall in between.



The implication is not that one claim dominates, but that no single claim satisfies the market. This dispersion turns consumer preference into a source of specification divergence, even in the absence of formal rules.

More Changes, Higher Interaction Density

Reformulation is harder today because modern packaged foods are built as tightly coupled systems. A smaller set of key ingredients carries more of the functional load of the product, supporting texture, structure, flavor release, and stability over long distribution. Salt illustrates this dynamic. Beyond flavor, salt affects water activity, microbial control, and dough behavior in baked goods. Reducing salt therefore shifts taste, processing characteristics, and safety or shelf-life margins at the same time. Similar dynamics apply to sugar and fat, which also provide bulk, structure, and stability in addition to nutritional impact.

> *"On the surface, substitution looks straightforward - replace one ingredient with another. In reality, even commodity swaps cascade across taste, texture, supply continuity, and claims. The technical change is rarely the hardest part; managing the downstream ripple effects is."*
>
> *— Carrie Schroeder, Growth Strategist, The B2B Builder*

Interaction density increases further when high-performance, multi-function inputs are removed and replacements carry side effects. Transitions away from petroleum-based dyes illustrate this pattern. Natural color systems are often less stable, more sensitive to light, heat, and pH, and can introduce unwanted flavor notes since the usage level is higher. What appears to be a simple color change becomes a broader reformulation problem as stability, flavor perception, and shelf life are pulled into scope.

Packaging changes further amplify interaction density. When food-contact or barrier materials change, the package may shift first and the formulation must then adapt to maintain performance inside the new environment. PFAS-related actions affecting grease-resistant coatings, with phase-outs completed in 2024 and food-contact actions extending into 2025, illustrate this dynamic. Changes in oxygen, moisture, or grease barriers can accelerate oxidation, texture drift, or flavor loss, forcing formula adjustments even when the recipe itself was not the original target.

As interaction density rises, reformulation shifts from isolated substitution to system retuning, where multiple attributes must be rebalanced simultaneously to preserve product performance.

Narrower Compliance Time Windows

Reformulation is harder today because time is embedded in acceptability. The question is no longer only whether a compliant formula exists, but whether it can be developed, validated, labeled, and commercialized before compliance time windows close.

One driver is the rise of dated cutovers. In earlier cycles, major cutovers were fewer and more widely spaced. These days, requirements increasingly arrive as hard cliffs rather than directional guidance.

Table 3. Proposal-to-Compliance Timelines in Selected FDA Food Additive Regulations (1999–2025)

Regulation	Proposed	Final	Compliance	Total Cycle
Trans Fat Labeling	1999	2003	2006	~7 yrs
Menu Labeling	2011	2014	2018	~7 yrs
PHO Ban	2013	2015	2018	~5 yrs
BVO Revocation	2023	2024	2025	~2 yrs
Red No. 3 Revocation	2024	2025	2027	~3 yrs

Source: FDA Final Rules, Value Gene Analysis

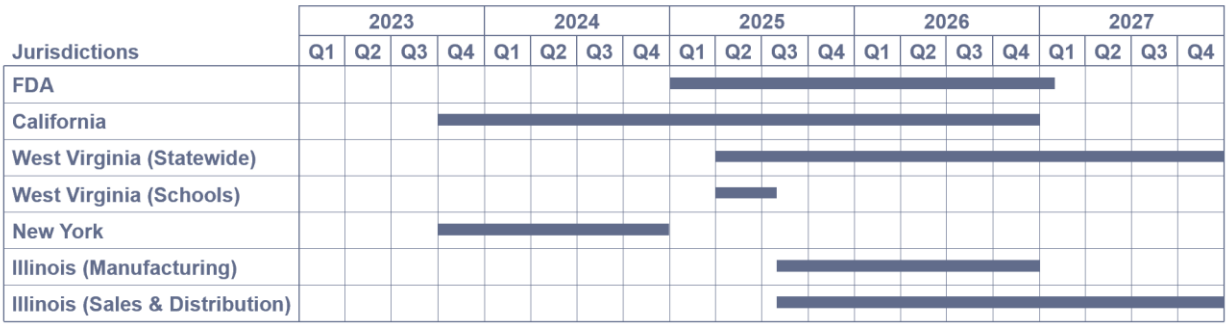
Time pressure is compounded by higher reset cadence. In the 2010s, the Nutrition Facts overhaul finalized in 2016 dominated the reset cycle and came with extended compliance dates into 2020 and 2021. By contrast, the 2020s include multiple overlapping resets, including dietary guidelines finalized in late 2025, the updated “healthy” definition with a February 25, 2028, compliance date, front-of-pack labeling moving toward a final rule expected in 2026, and faster interpretation shifts around claims such as “no artificial colors.”

Food Additive Restrictions: Federal & State Enactment and Compliance Timelines (2023-2027)

Source: FDA Final Rules, State Statutes, Retailer Disclosure, Value Gene Analysis

Parallel clocks further intensify pressure. It also adds coordination complexity because multiple cut-in dates and lead times must be met in parallel. Federal, state, retailer, and foodservice chain timelines now overlap within the same planning window.

FD&C Red No. 3 Restrictions: Federal & State Enactment and Compliance Timelines (2023-2027)



Source: FDA Final Rule on FD&C Red No. 3 (2025), CA AB418 (2023), NY S6055-A (2023), IL Public Act 103 (2025), WV HB2356 (2025), Value Gene Analysis

As clocks converge, execution capacity becomes the limiting factor. Lab and R&D teams' availability, pilot runs, plant trials, supplier qualification, packaging updates, and regulatory review bandwidth form queues. At the same time, teams are balancing competing agendas, innovation, productivity, cost-out, and reformulation, so allocation becomes a constraint, not just lab slots. Even within R&D, specialized groups (e.g., specs/ validation) can become bottlenecks when priorities collide. Late-stage options that require more testing or longer qualification drop out not because they are technically infeasible, but because they cannot clear the system in time.

Proof Obligations Embedded

Reformulation is harder today because acceptability increasingly includes a second requirement: compliance must be provable. It is no longer sufficient to meet a technical standard. Products must withstand audit, customer review, and regulatory scrutiny. That proof burden introduces its own lead times, gating work, and failure modes, making some technically workable formulations operationally infeasible.

One source of friction is the expansion of records and chain-of-custody requirements. Lot-level traceability and record retrieval have become binding conditions rather than back-office hygiene. The FDA's Food Traceability Rule under FSMA 204 illustrates this shift. For foods on the Food Traceability List, manufacturers must maintain specified records and provide them rapidly on request, with FDA stating it does not intend to enforce before July 20, 2028.

Proof obligations also increasingly govern claims and on-pack assertions. Regulated nutrient-content and definitional claims now function as explicit gates. The FDA's updated definition of "healthy," with a compliance date of February 25, 2028, requires brands to reformulate if they want to retain the claim.

The structural change is clear. Reformulation is no longer complete when a compliant formula exists. It is complete only when the organization can repeatedly prove compliance on a scale.

New Landscape Strains Traditional Ways of Working

Food companies once tweaked recipes occasionally. Soon, reformulation will become almost continuous for many as conditions keep evolving. Our analysis of the USDA FoodData Central Branded Foods Database (covering approximately 1.46 million SKUs) identified that roughly 18% of products already contain ingredients facing likely bans or major restrictions by 2030. On top of that scan we integrated observed reformulation rates from multiple other categories and independent sources over the past 15 years. After aggregating and weighting all data points, the overall expected impact reaches 15–40% of SKUs under reformulation pressure over a five-year horizon in many large portfolios.

> *"Most organizations are still reformulating for the immediate pressure in front of them rather than the constraints that are already forming. The companies that step back and design for the next three to five years are the ones that preserve both speed and optionality."*
>
> *— Susan Bond, Chief Regulatory Strategist, The B2B Builder*

Implications for Your company

1. **Reformulation is now continuous.** Companies must be ready to change recipes all the time, not just when they choose to. Cross-functional teams involving research, procurement, quality, regulatory, marketing and operations must work together permanently, not episodically. Otherwise, deadlines will be missed and products will be cancelled.
2. **Complex rules reduce flexibility.** Retailers and regulators publish detailed lists of banned additives, nutrient thresholds, and sustainability requirements. A product that meets one rulebook may fail another. There is no room for single-objective optimization; every decision must consider nutrition, cost, supplier availability, sustainability and claims together.
3. **Standards are fragmented.** Different retailers and states require different ingredient lists and packaging. Companies must decide whether to meet the strictest common standard, which raises costs and may hurt

taste, or create variants for different customers, how many ingredients to manage, which multiplies complexity and risk.

4. **System-wide retuning is required.** Removing or replacing one ingredient or packaging material often forces changes in the rest of the recipe and the manufacturing process. Adjusting salt, sugar or colors can alter texture and flavor; switching packaging changes how the product behaves on the shelf. R&D, procurement, and operations must retune the whole system, not just swap ingredients.
5. **Timelines are compressed.** Many rules have hard cutoff dates that come sooner than you can develop, evaluate and scale a new recipe. Labs and pilot plants are already busy. In some cases, the timeline itself makes reformulation unfeasible.
6. **Supplier relationships matter more than ever.** Many compliant ingredients and packaging materials have longer lead times or tighter supply. Without strong partnerships and clear agreements, companies risk shortages and missing documentation.
7. **Portfolio rationalization is inevitable.** Some SKUs or claims will not justify the cost or effort to reformulate. Companies need to decide which products to drop, which to reformulate and which claims to tone down.
8. **Compliance demands traceability and proof.** Regulators and retailers ask for lot-level traceability and evidence that products meet nutrition and safety claims. Without clear records, products can be pulled from shelves even if they otherwise comply.
9. **Competing agendas and organizational design become a constraint.** Reformulation draws on the same scarce people and windows as innovation, productivity, and cost-out programs. Without enterprise prioritization, clear decision rights, and a working cross-functional operating cadence, work stalls even when technical solutions exist.

A comprehensive literature screening of academic studies, post-implementation evaluations of European regulations and their real-world impact follow-ups, along with company annual reports, earnings disclosures,

and detailed reformulation case studies over the past 15 years, shows that ongoing unit production costs typically increase in the 3–15% range (with certain categories reaching up to 30% depending on the product and extent of change).

Although the implications above apply across the industry, their intensity depends on company size, position on value chain, categories, and many more.

Smaller or regional manufacturers often have limited resources and supplier leverage, so sourcing compliant ingredients and meeting documentation requirements is harder, though they benefit from agility and a focused product range. Mid-size national companies have enough scale to invest in systems and partners but must manage rising complexity across multiple plants and customer bases. Large multinationals possess deep R&D budgets and strong regulatory muscle, yet bureaucracy and broad portfolios slow decisions and dilute focus, often compounded by conflicting priorities: Innovation and growth agendas can crowd out reformulation work unless reinforced top-down.

Category exposure also matters. High exposure categories such as confectionery, beverages and processed foods in general face stricter reformulation demands than simpler product lines.

Knowing where your company sits on these dimensions helps tailor the response and set realistic expectations.

Central Challenge

The core challenge is building a permanent, repeatable capability that sustains compliant execution at scale. Companies must build a cross-functional engine that links R&D, procurement, manufacturing, quality, regulatory, commercial, marketing and IT from the start. Without such coordinated capability, even well-resourced companies might miss deadlines, suffer shortages, and lose shelf space.

This central challenge is shaped by the pressures outlined in our analysis. Multi-dimensional constraints shrink the solution space; non-uniform rules push companies toward either strict national formulas or complex variants;

compressed timelines and finite lab capacity make some solutions impractical; system-wide retuning is required whenever ingredients or packaging change; and proof obligations demand audit-ready documentation. These dynamics turn reformulation into a complex engineering and organizational problem that requires a new operating model sponsored at the enterprise leadership (C-suite) level, not just more resources.

Building a Sustainable Reformulation Operating Model

Reformulation needs a new way of working, because the pressure is persistent and the change windows are real. When companies make case-by-case fixes, they end up making decisions inside deadlines, paying more for narrower options, and absorbing disruption that could have been avoided.

The aim of the solution is to define how the company leads reformulation: where to lean in for value, where to protect economics, and how to execute reliably across functions.

As shown in the framework below, sustainable reformulation requires connecting external and internal signals to structured feasibility testing, deliberate portfolio prioritization, and sustained execution.

1. Reformulation as a Portfolio Discipline

The starting point is to treat reformulation as a portfolio program, rather than a sequence of product emergencies. That portfolio must be managed across three tracks.

The first track is **value creation.** While some reformulation is driven by compliance pressure, other changes can strengthen the consumer proposition, reinforce brand positioning, or improve economics. Identifying these opportunities early allows companies to direct effort toward changes that create competitive advantages rather than simply complying with the requirements.

The second is **risk management**. Some products face fragile margins, feasibility constraints, sensory risk, or limited ingredients and packaging options. These items require explicit mitigation plans, not last-minute decisions under pressure. The goal is to surface exposure early and shape the response before options narrow.

The third is **execution**. Reformulation only works on a scale when delivery is repeatable. That requires clear ownership, defined decision rights, and a disciplined cross-functional cadence that can carry changes cycle after cycle without re-inventing the process each time. In practice this must be an enterprise directive sponsored by the CEO/C-suite, with a named point person (or steering group) accountable for cross-functional coordination. Where it works best, it is led through a TechOps spine, procurement, R&D, supply chain, and manufacturing, with commercial leadership explicitly aligned so priorities don't default back to innovation only.

Together, these three tracks ensure reformulation is led intentionally rather than absorbed reactively.

2. Converting External and Internal Signals into Portfolio Implications

Running reformulation as a portfolio requires a clear link from signals to execution. The first step is translating external signals into concrete portfolio implications.

Consumer expectations are the first input because they shape what "acceptable" will look like in the market. The job here is to turn signals into portfolio implications: which claims, attributes, formats, and ingredient expectations are becoming required, and which are emerging. This work should be structured across two horizons. The near term focuses on shifts that can change customer demands and shopper expectations in the next one to two years. The medium-term tracks directional changes that may redefine category standards over a two- to five-year window. In practice, commercial specifications tend to tighten on annual or biannual cycles, while category standards and regulatory outcomes typically take several years to materialize and cascade across portfolios.

Customer requirements convert expectations into non-negotiable gates. This step maps what key retail and food service customers require, spec limits, restricted lists, packaging and claim rules, documentation standards, and cut-in dates. The output must be concrete: which SKUs are displayed by customers, what needs to change to maintain shelf space, and the acceptance windows that drive the schedule. This is also where conflicts surface early, when different customers pull the same SKU in different directions and the company must make deliberate choices on product strategy, channel priorities and segmentation. This goes well beyond R&D and requires clear commercial guidance.

Regulatory mapping turns the policy pipeline into portfolio-relevant triggers. Rather than tracking rules in isolation, companies should build a forward view across federal and state developments, organized by horizon: items likely to land in the next two years, items plausible in the two- to five-year window, and longer-term themes to monitor. The output is a translation into exposure: which ingredients, packaging materials, claims, and labeling elements are at risk, which SKUs rely on them, and what lead-time actions are required before the window closes.

As Susan Bond notes, regulatory functions best not as a downstream reviewer, but as an upstream input that shapes reformulation choices early.

"As organizations redesign operating models to support reformulation, one structural determinant consistently influences execution success: ***Regulatory Interdependence.*** *Regulatory & Scientific Affairs (RSA) functions not merely as a compliance arm, but as an architectural constraint layer within enterprise decision-making. Regulatory is not a downstream validator of reformulation decisions. It is an upstream constraint system that shapes them."*

— Susan Bond, Chief Regulatory Strategist, The B2B Builder

Taken together, these external signals define **what must change and by when**. Internal signals determine **where those changes are feasible, where they are fragile, and where pressure will translate into real economic or operational risk**.

Portfolio economics indicate where reformulation pressure becomes material. Margin structure, ingredient cost concentration, claim density, and historical complaint sensitivity determine how much change a product can absorb before performance or economics deteriorate. Products with thin margins, high sensory sensitivity, or reliance on constrained inputs face a narrower solution space. Making this explicit clarifies where reformulation can be value-neutral or accretive, and where it is likely to drive margin erosion or commercial tradeoffs.

Capacity constraints define whether reformulation is feasible on the calendar, not just in the lab. Programs compete for limited R&D bandwidth, lab and pilot access, plant trial windows, packaging change capacity, and regulatory review cycles. When too many SKUs converge in the same window, technically viable options drop out because they cannot clear the system in time. Surfacing capacity early enables deliberate sequencing and prevents late-stage compromises driven by congestion rather than strategy.

Supply chain resilience determines whether reformulation will hold after launch. Single-source exposure, qualification lead times, agricultural volatility, documentation quality, and supplier change control all shape risk. The objective is to confirm that replacement ingredients and materials can

be supplied reliably, at required volumes, with defensible records over time. Making these visible highlights where reformulation increases operational risk and where mitigation or supplier development is required before committing to change.

3. Stress-Testing Feasibility Across the Value Chain

Many reformulations fail not in formulation, but in feasibility. The next step is to stress-test options across sourcing, operations, and commercial reality.

Sourcing is a critical filter. For any ingredient or material flagged by consumer, customer, or regulation signals, the company should assess the cost of viable alternatives, supply availability at required scale, lead times and qualification requirements, and continuity risk, including single-source exposure, crop or yield variability, and price volatility. This work must be done with procurement and supply chain, using the actual supplier constraints, so outputs reflect decision-ready options rather than theoretical substitute.

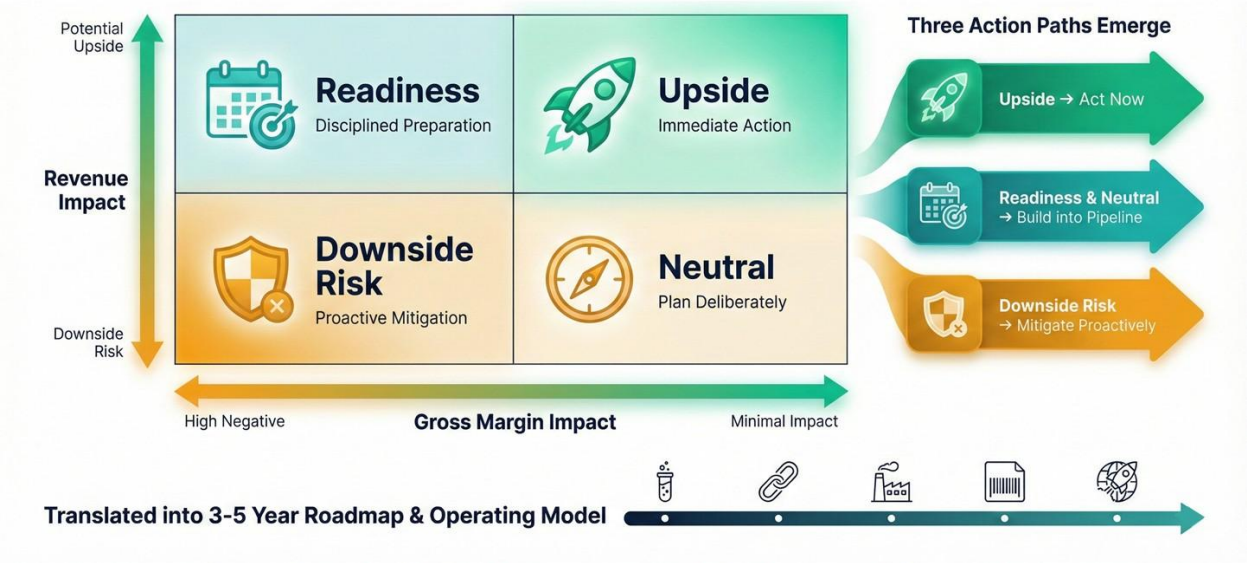
Operations determine whether reformulation preserves or erodes margin. For exposed products, companies should quantify manufacturability impacts that drive gross margin, including throughput loss (line rate, changeovers, run time), cost increases (labor, downtime, yield loss, etc.), and potential capex. This is the step many companies overlook and later pay for. When assumptions aren't fully considered upfront, it's common to see lower output per hour, tighter capacity constraints, and higher waste. These assessments must be grounded in line-level realities so economic tradeoffs reflect what will happen on the floor.

Product and commercial impact complete the feasibility view. R&D owns performance risk, including taste, texture, shelf life, stability, and complaint risk. Sales and marketing own market impact including customer acceptance, claim credibility, certification status, packaging and messaging needs, and the expected effect on volume, distribution, and price. The objective is to avoid "margin-only" decisions by balancing economics with demand, brand equity, and competitive position.

4. Prioritization, Roadmapping, and Sustained Execution

Once exposure and feasibility are understood, companies need a clear way to prioritize action. This is best done through a simple product-level impact matrix that consolidates analyses into a product-by-product view of risk and opportunity.

Each product is assessed along two dimensions: gross margin impact, ranging from high negative to minimal impact, and revenue impact, ranging from downside risk to potential upside. This creates clarity on where to move quickly, where to plan deliberately, and where to actively mitigate.



From this matrix, three action paths emerge. **Upside products** warrant immediate action because early moves can create advantage through improved propositions or differentiated claims. **Neutral or readiness products** should be built into the pipeline with disciplined preparation rather than rushed change. **Downside-risk products** require proactive management, including alternative technical paths, sourcing reassessment, and positioning adjustments to protect demand and reshape economics, where possible. Finally, all actions are translated into a practical **three- to five-year roadmap** and **operating model**. This includes sequenced initiatives by product, alignment with innovation and renovation pipelines, clear milestones through suppliers, plant readiness, labeling, and launch, and explicit governance defining who decides what and when.

Authors

Ozan Ozaskinli

Partner and Managing Director

Ozan.Ozaskinli@valuegeneconsulting.com

Okan Akgun

Partner and Managing Director

Okan.Akgun@valuegeneconsulting.com

Sercan Aldatmaz

Principal

Sercan.Aldatmaz@valuegeneconsulting.com

Jordy Lemus

Implementation Manager

Jordy.Lemus@valuegeneconsulting.com

Eda Kocakarin

Consultant

Eda.Kocakarin@valuegeneconsulting.com

About Value Gene Consulting Group

Value Gene Consulting Group is a distinguished boutique consulting firm specializing in delivering strategic business solutions that yield significant, swift, and sustainable outcomes. Our dedicated team collaborates closely with C-level executives, providing expert guidance tailored to mastering business challenges within the Food and Consumer industries.

In the ever-evolving landscape shaped by our clients' needs, we prioritize sound strategy and decision-making as cornerstones for enduring success. Our approach is grounded in fact-based quantitative and qualitative analysis, fostering positive change in the best interest of our clients and their stakeholders.

As a boutique management consulting company, we stand out by leveraging the unique skills of our enthusiastic team. Our consultants, with prior experience in top-tier strategy firms, bring a result-oriented focus to decision-making and business management.

Embodying our 'boutique service principle,' we ensure heightened responsiveness, a long-term commitment from our team, and high-quality advice with direct involvement of our senior team in day-to-day operations. Remarkably, over 90% of our business originates from longstanding client relationships, showcasing our dedication to our clients.

At the core of Value Gene Consulting Group is a consulting team comprising top-educated and globally experienced members. With more senior involvement than industry standards, we consistently produce immediately applicable results. Our deep subject expertise, coupled with pioneering industry knowledge, guarantees impactful and quality work.

Our distinctive approach involves working collaboratively with client organizations, fostering a partnership that goes beyond traditional consulting. We are catalysts for change, driving transformation within our clients' businesses by connecting analytics understanding to actionable business insight.

Our success is measured by our ability to maintain enduring client relationships, exhibit client responsiveness, and demonstrate unwavering dedication. Value Gene stands apart in the industry, delivering the content-driven insights that our clients seek from their strategic advisor.

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