



NEW VENTURE ADVISORS LLC

Helping communities & entrepreneurs build sustainable businesses

Food Business Bootcamp

November 26, 2013

presented by Food Secure Canada
with support from
The J.W. McConnell Family Foundation

NEW VENTURE ADVISORS LLC

MANAGING OPERATIONS & GROWTH

November 26, 2013

➤ Section 1: Planning for Growth

- Strategy – 3 ways to grow
- Sales – how to get more customers
- Finance – cash forecasting

➤ Section 2: Managing Operations

- Key performance indicators
- Financial reporting

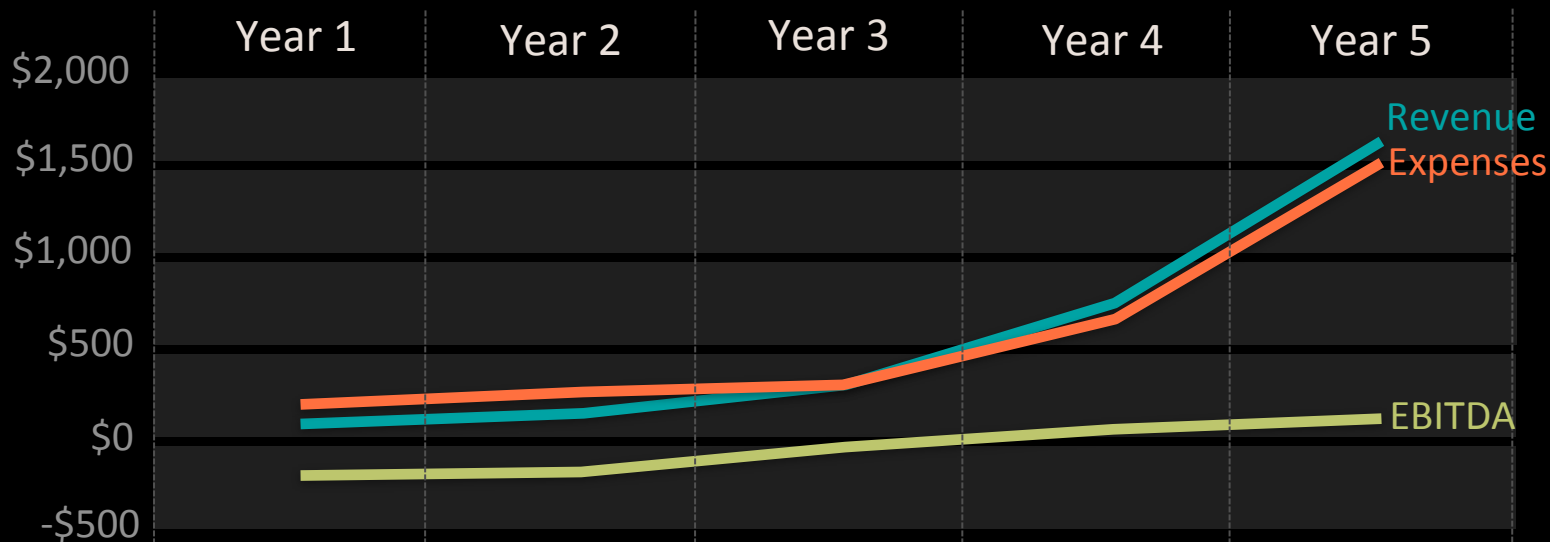
➤ Storytelling, Q&A

➤ Preview of Social Impact Measurement

(Erica Barbosa)

Financial Forecast

In millions



Revenue	\$100	\$200	\$400	\$800	\$1,600
Expenses	\$200	\$300	\$400	\$780	\$1,520
EBITDA	-\$100	-\$100	\$0	\$20	\$80
% Growth	200%	200%	200%	200%	200%
% Margin	-100%	-50%	0%	2.5%	5.0%

Planning For Growth

Strategy

**Three ways to
grow**

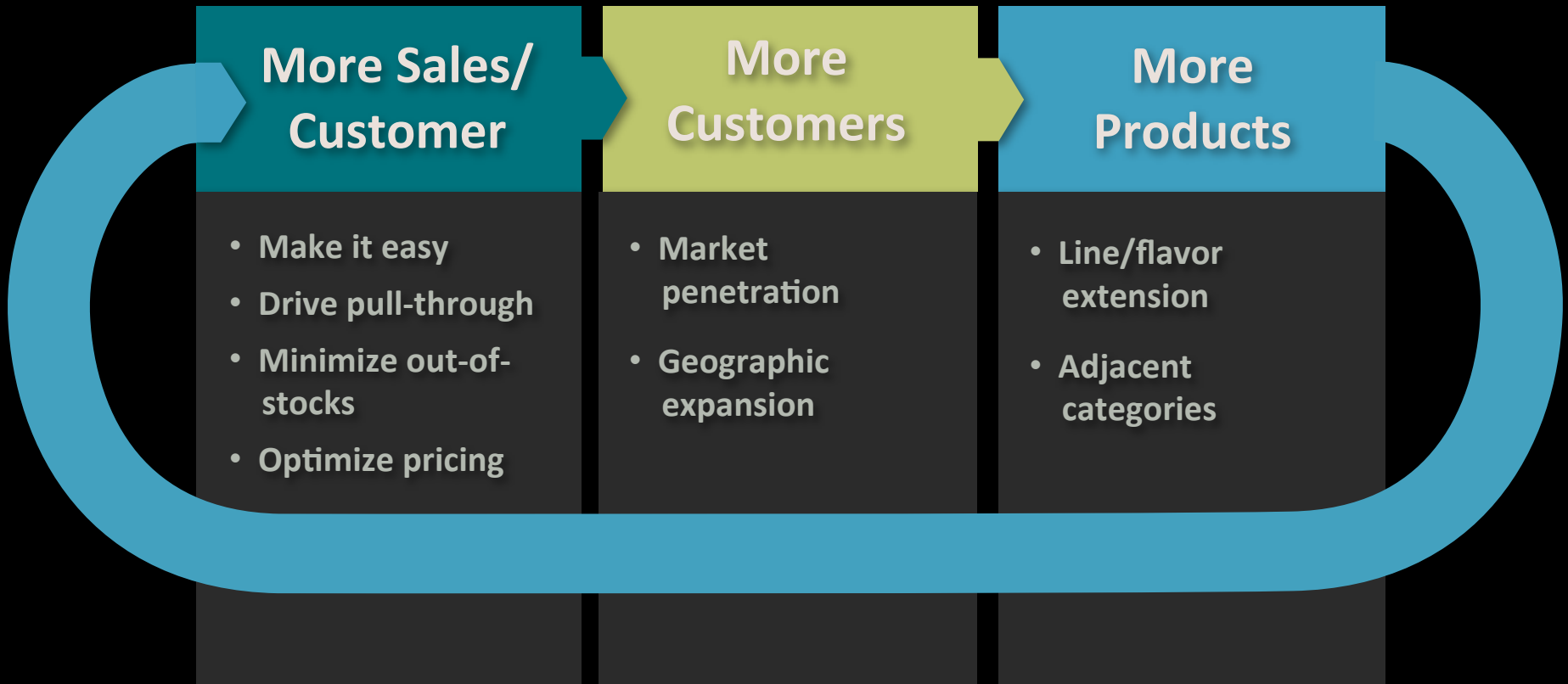
Sales

**How to get more
customers**

Finance

**Cash forecasting to
determine financing
needs**

Three Ways To Grow



Evaluating Growth Opportunities

**Plan time spent driving the top line
– by individual and across the team**

**Increase volume
among existing
customers**

Sales Reps

**Call on new
customers**

**CEO
Sales Managers**

**Work with
suppliers to add
new items**

**Buyers, Foragers ,
Product Developers**

While balancing

**Customer value
(category
management)**

**Competitive gaps
and threats**

**Investment and
expense
management**

Planning For Growth

Strategy

Three ways to
grow

Sales

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How To Get More Customers

Segmentation

Know the market

Targeting

Know the customer

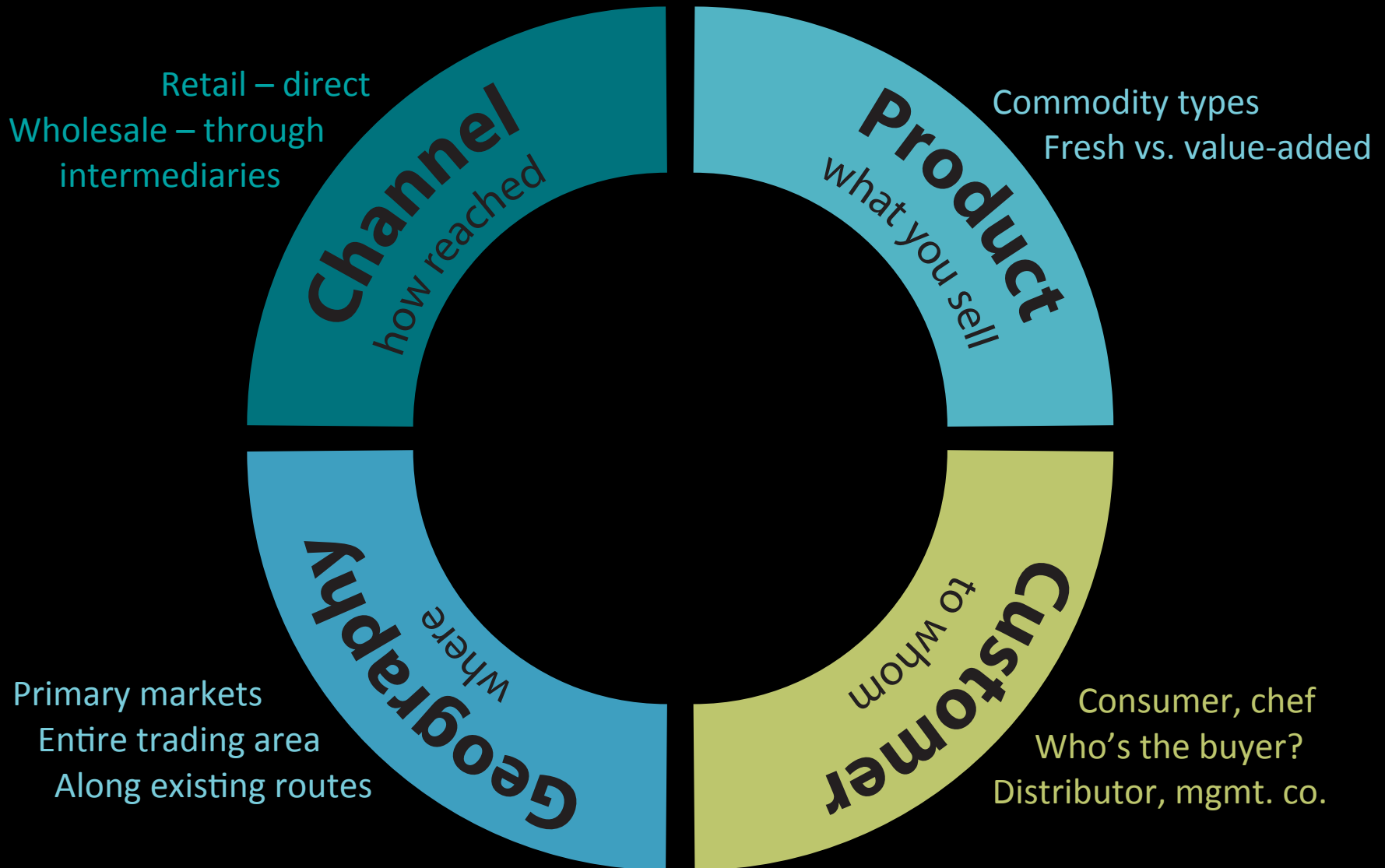
Positioning

Know how to talk to them

Sales Planning

Build a sales pipeline and track results

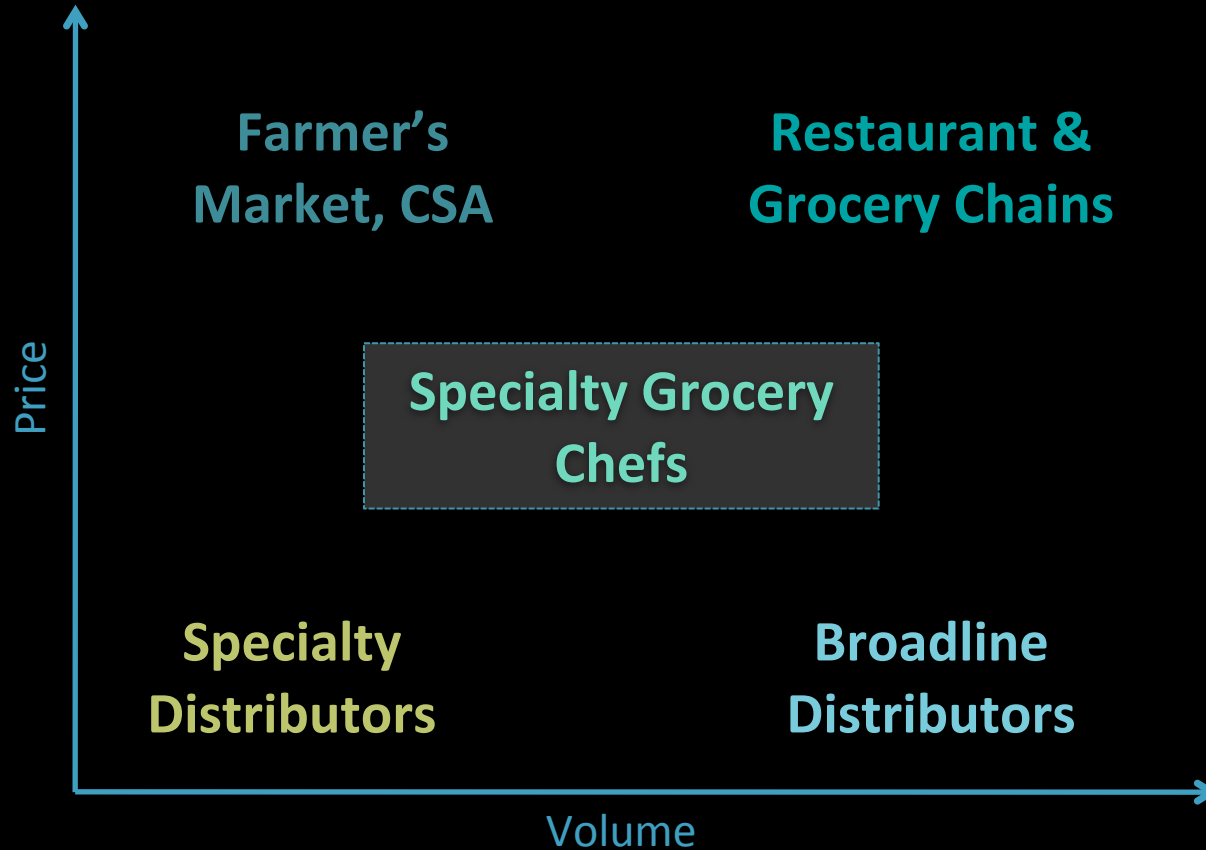
Segmenting The Market



Selecting a Target Market

- In which you are **differentiated**
- In which you can **deliver value quickly**
- In which **customers are accessible**
- In which there are **adjacent markets** for growth

Segmentation, Target



Bottom Up Market Sizing

	Number in Market	Total Spending on Category	Total Spending on Segment		Market Contribution
<i>Specialty Grocery</i>					
Whole Foods	21	\$11.0 M	10%	\$1.1 M	\$23.1 M
Marianos	5	\$6.5 M	10%	\$0.7 M	\$3.3 M
Independents	15	\$2.0 M	10%	\$0.2 M	\$3.0 M
Annual Market Potential					\$29.4 M
<i>Chefs</i>					
Fine Dining	100	\$200 M	50%	\$100 M	\$10.1 M
Fast Casual	75	\$150 M	10%	\$15 M	\$1.1 M
Annual Market Potential					\$11.1 M
Total Market Potential					\$40.5 M

Sources: Annual reports, company websites, Baker Tilly, SBA, interviews

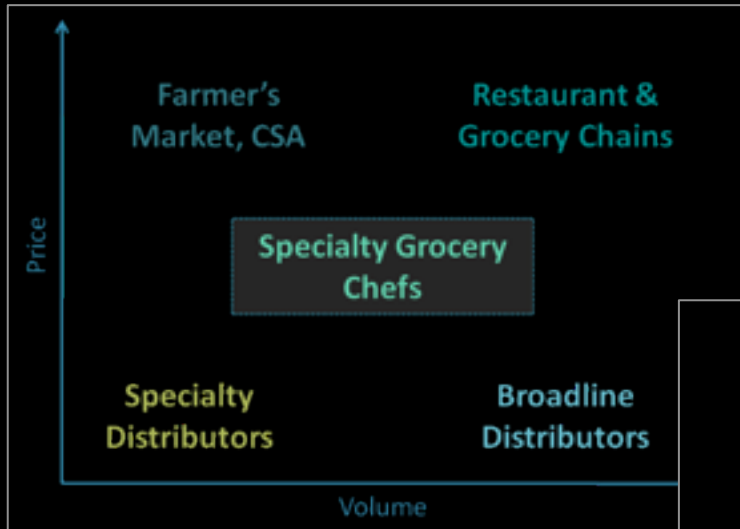
Segment, Target then Position

For [target end user] **who wants/needs** [compelling reason to buy] **the**
[product name] **is a** [product category] **which provides** [key benefit] .
Unlike [main competitor] , **the** [product name] [key differentiation] .



For Chicago-area chefs **who demand the** highest-quality fresh ingredients
Wellspring Growers **produces** fresh salad greens and herbs **which are**
harvested within a few hours of delivery for optimal quality and shelf life .
Unlike local-area farms for imports , Wellspring Growers produce
is locally grown and available all year .

How Do We Get From This ... to Operating Reality?



A Great Growth Plan Shows Cascading Detail

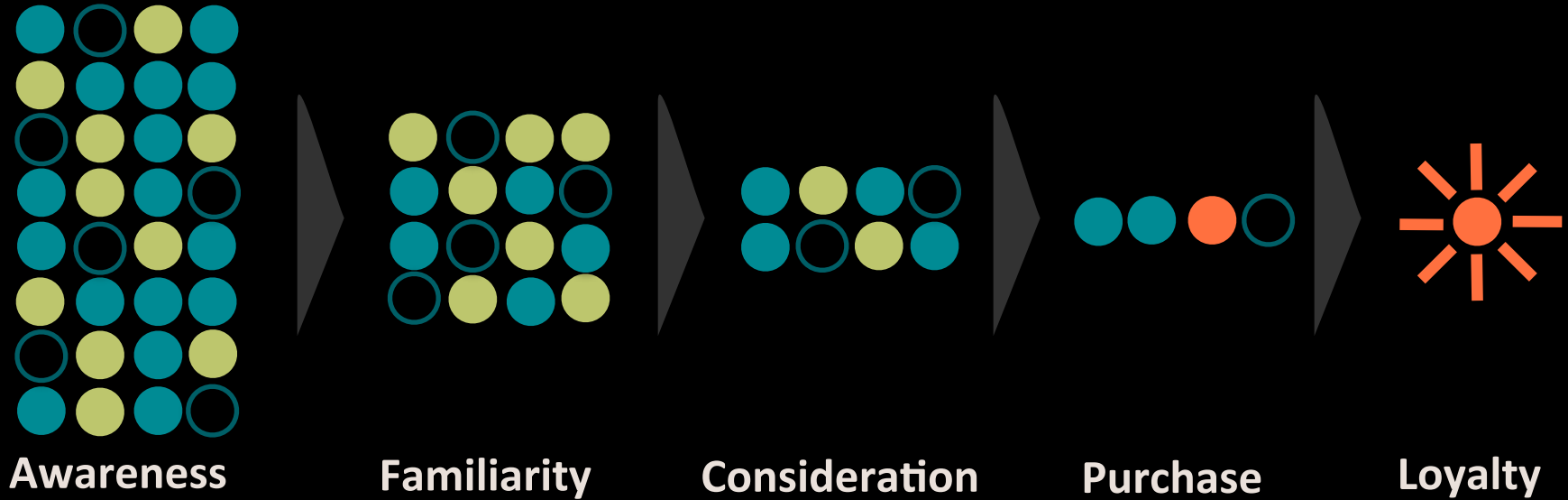
Our sales will grow because...

- Sales **pipeline** is large
- Sales **process** is defined
- Plan for **service** is sound

Our profit will grow because...

- **Costs** to grow sales can be managed
- Plan for **talent** and **resourcing**

How Do Customers Make Decisions?



Source: McKinsey & Co.

How Do Customers Make Decisions?



Develop Tools for the 'Decision Journey'

1

Consideration

- Outbound marketing – raise awareness
- Broadcast communication

2

Evaluation

- Inbound marketing – get found
- Sales kit – customized pitch

3

Purchase

- Sales and Ops coordination
- Customer service in place

4

Post-Purchase

- Sales follow-up
- Customer relationship management

What do customers care about?

Work backwards from customer to articulate the value of business

**Customer
segment cares
about...**

- Credit for local sourcing
- Staying within overall budget (price)
- Tracking community impact
- Working with current PO system

We deliver...

- Creative POS materials to tell story
- Affordable options by crop
- Year-end statement with \$, jobs
- Ability to work with PO system

Track Sales Activity

		Number of Orgs	Estimated \$ Value	Cycle Length	Conversion Rate
1	Consideration	200 touches		Var.	25%
2	Evaluation	50 pitches		1 month	50%
3	Purchase	25 new orders	\$500 ea. \$12,500	1 week	20%
4	Post-Purchase	5 repeat sales	\$1000 ea. \$5,000	1 week	75%

A Great Growth Plan Shows Cascading Detail

Our sales will grow because...

We know our **conversion rates** and have a strong **pipeline**

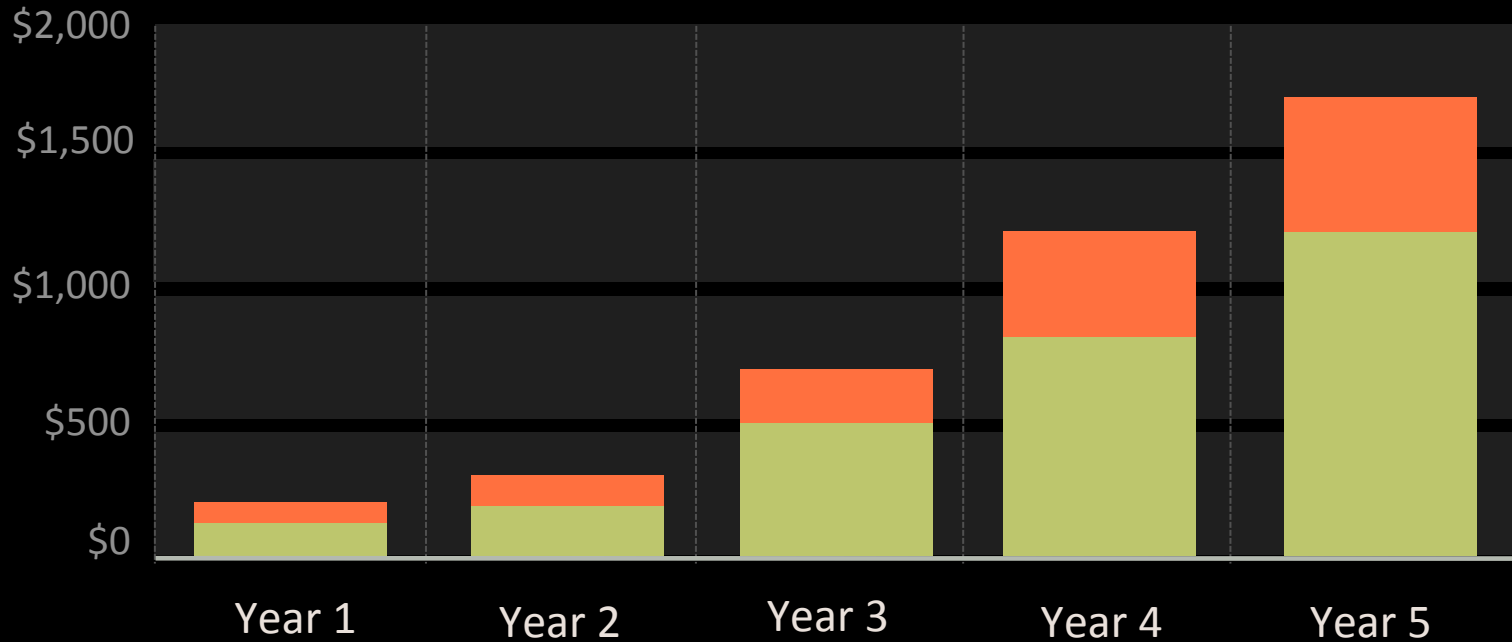
Target Customer	Est Sale	% Likelihood	Status
Customer A	\$20,000	100%	Committed - anchor
Customer B	\$5,000	75%	In discussion - pitched
Customer C	\$10,000	50%	Identified
Customer D	\$5,000	0%	Identified
Customer E	\$7,000	25%	Identified
...			
Total Pipeline	\$3 million		

Total high potential sales: $\Sigma \text{sale} * \% = \1 million *Matches or close to sales projection!*

A Great Growth Plan Shows Cascading Detail

Our profit will grow because...

We know how **costs** will rise to get those sales



Planning For Growth

Strategy

Three ways to
grow

Sales

How to get more
customers

Finance


Cash forecasting to
determine financing
needs

Start with business cash needs vs. what you have or can raise

- Why do good businesses fail?
They run out of cash.
- P&Ls are nice ... but cash is king.
What's the difference?

P&L vs. Cash

Would you like to start and own this business?



NewC	<u>2013</u>	<u>2014</u>
	FV	FV
Revenue	\$3,250	\$14,400
Cost of Goods/Service	\$1,950	\$7,920
Gross Profit	\$1,300	\$6,480
Gross Margin	40%	45%
Sales	\$325	\$1,440
Marketing	\$1,325	\$2,160
G&A	\$650	\$2,160
Net Profit	-\$163	\$100
Net Margin	-5%	5%

NEVER
look annually

P&L vs. Cash

Would you like to start and own this business?

NewCo Inc.	2013												FY
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Revenue	\$ -	\$ -	\$ 100	\$ 150	\$ 200	\$ 250	\$ 300	\$ 350	\$ 400	\$ 450	\$ 500	\$ 550	\$3,250
COGS	\$ -	\$ -	\$ 60	\$ 90	\$ 120	\$ 150	\$ 180	\$ 210	\$ 240	\$ 270	\$ 300	\$ 330	
Gross Profit	\$ -	\$ -	\$ 40	\$ 60	\$ 80	\$ 100	\$ 120	\$ 140	\$ 160	\$ 180	\$ 200	\$ 220	
Gross Margin %			40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	
Sales	\$ -	\$ -	\$ 10	\$ 15	\$ 20	\$ 25	\$ 30	\$ 35	\$ 40	\$ 45	\$ 50	\$ 55	
Marketing	\$ -	\$ -	\$ 15	\$ 20	\$ 30	\$ 38	\$ 45	\$ 53	\$ 60	\$ 68	\$ 75	\$ 82	
G&A	\$ -	\$ -	\$ 20	\$ 25	\$ 40	\$ 50	\$ 60	\$ 70	\$ 80	\$ 90	\$ 100	\$ 110	\$650
Net Profit	\$ -	\$ -	\$ 0	\$(8)	\$(10)	\$(13)	\$(15)	\$(17)	\$(20)	\$(23)	\$(25)	\$(28)	\$(163)
Net Margin %			-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%

P&L's DON'T
really matter

P&L vs. Cash

Let's convert revenue to cash ...

NewCo Inc.													2013	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY	
Revenue	\$ -	\$ -	\$ -	\$150	\$200	\$250	\$300	\$350	\$400	\$450	\$500	\$550	\$3,250	
REVENUE BUILD														
2% Cash Discount			\$2	\$3	\$4	\$5	\$6	\$7	\$8	\$9	\$10	\$11	\$65	
Bad Debt							\$100						\$100	
Returns										\$35			\$35	
Discounts			\$5	\$8	\$10	\$25	\$15	\$18	\$20	\$23	\$25	\$28	\$175	
Net Revenue			\$93	\$140	\$186	\$220	\$179	\$326	\$372	\$384	\$465	\$512	\$2,875	
Cash Received					\$93									

P&L vs. Cash

Let's convert revenue to cash ...

NewCo Inc.													
	2013												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
Revenue	\$ -	\$ -	\$ -	\$150	\$200	\$250	\$300	\$350	\$400	\$450	\$500	\$550	\$3,250
REVENUE BUILD													
2% Cash Discount			\$2	\$3	\$4	\$5	\$6	\$7	\$8	\$9	\$10	\$11	\$65
Bad Debt							\$100						\$100
Returns										\$35			\$35
Discounts			\$5	\$8	\$10	\$25	\$15	\$18	\$20	\$23	\$25	\$28	\$175
Net Revenue			\$93	\$140	\$186	\$220	\$179	\$326	\$372	\$384	\$465	\$512	\$2,875
Cash Received					\$93	\$140	\$186	\$220	\$179	\$326	\$372	\$384	\$1,899

P&L vs. Cash

Let's examine cash impact of COGS ...

NewCo Inc.													2013	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY	
COGS	\$ -	\$ -	\$ 60	\$ 90	\$ 120	\$ 150	\$ 180	\$ 210	\$ 240	\$ 270	\$ 300	\$ 330	\$ 1,950	
COGS DRILL DOWN														
COGS		\$ 500				\$ 500			\$ 500			\$ 1,000	\$ 2,500	

P&L vs. Cash

Let's examine cash impact of SG&A ...

NewCo Inc.													
	2013												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
Sales	\$ -	\$ -	\$10	\$15	\$20	\$25	\$30	\$35	\$40	\$45	\$50	\$55	\$325
Marketing	\$ -	\$ -	\$15	\$23	\$30	\$38	\$45	\$53	\$60	\$68	\$75	\$83	\$488
G&A	\$ -	\$ -	\$20	\$30	\$40	\$50	\$60	\$70	\$80	\$90	\$100	\$110	\$650
Total SG&A	\$ -	\$ -	\$45	\$68	\$90	\$113	\$135	\$158	\$180	\$203	\$225	\$248	\$1,463
CASH MODEL													
Sales	\$ -	\$ -	\$50	\$50	\$50	\$25	\$25	\$25	\$45	\$45	\$45	\$45	\$405
Marketing	\$15	\$15	\$15	\$23	\$30	\$38	\$45	\$53	\$60	\$68	\$75	\$83	\$518
G&A	\$100	\$100	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$700
Cash Impact	\$115	\$115	\$115	\$123	\$130	\$113	\$120	\$128	\$155	\$163	\$170	\$178	\$1,623

Note: Do by employee and expense line item.

P&L vs. Cash

Let's examine cash impact of 2013 ...

NewCo Inc.	2013												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
Revenue	\$ -	\$ -	\$ -	\$150	\$200	\$250	\$300	\$350	\$400	\$450	\$500	\$550	\$3,250
COGS	\$ -	\$ -	\$ 60	\$90	\$120	\$150	\$180	\$210	\$240	\$270	\$300	\$330	\$1,950
Gross Profit	\$ -	\$ -	\$ 40	\$60	\$80	\$100	\$120	\$140	\$160	\$180	\$200	\$220	\$1,300
Gross Margin %			40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Sales	\$ -	\$ -	\$10	\$15	\$20	\$25	\$30	\$35	\$40	\$45	\$50	\$55	\$325
Marketing	\$ -	\$ -	\$15	\$23	\$30	\$38	\$45	\$53	\$60	\$68	\$75	\$83	\$488
G&A	\$ -	\$ -	\$20	\$30	\$40	\$50	\$60	\$70	\$80	\$90	\$100	\$110	\$650
Net Profit	\$ -	\$ -	\$ (5)	\$ (8)	\$ (10)	\$ (13)	\$ (15)	\$ (18)	\$ (20)	\$ (23)	\$ (25)	\$ (28)	\$ (163)
Net Margin %			-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%

CASH MODEL

Cash Received					\$93	\$140	\$186	\$220	\$179	\$326	\$372	\$384	\$1,899
COGS		\$500				\$500			\$500			\$1,000	\$2,500
Sales	\$ -	\$ -	\$50	\$50	\$50	\$25	\$25	\$25	\$45	\$45	\$45	\$45	\$405
Marketing	\$15	\$15	\$15	\$23	\$30	\$38	\$45	\$53	\$60	\$68	\$75	\$83	\$518
G&A	\$100	\$100	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$700
Cash Impact	\$(115)	\$(615)	\$(115)	\$(123)	\$(37)	\$(473)	\$66	\$93	\$(476)	\$163	\$202	\$(794)	\$(2,224)

P&L vs. Cash

Remember...

- It takes several times as long as you think!
- It costs several times more than you think!

Section 2

Managing Operations

- Key performance indicators
- Financial reporting

What are KPIs?

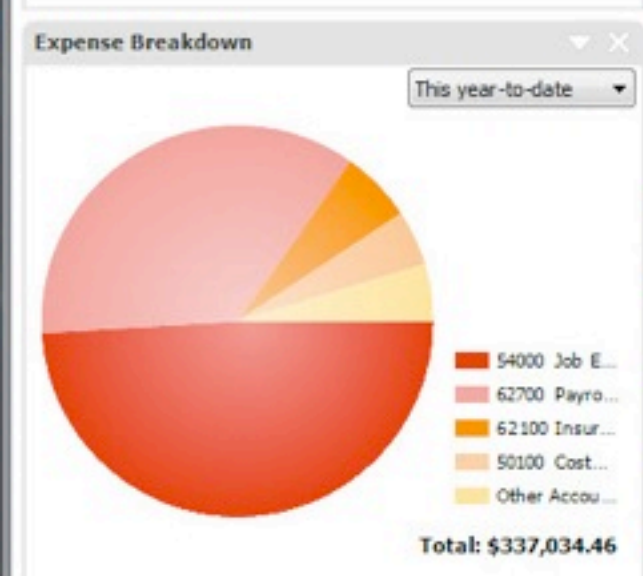
- Metrics that measure what's happening in the company
- Assembled into a dashboard to help managers drive the company



Customers Who Owe Money

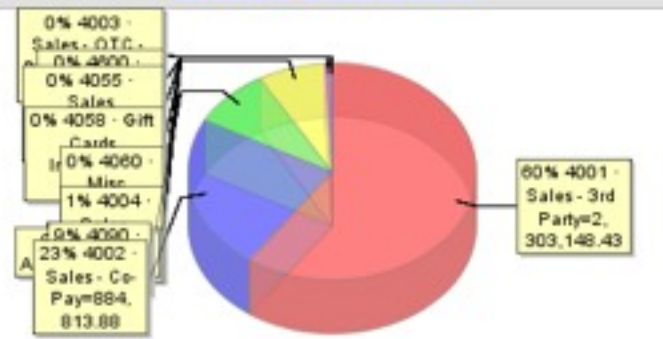
Customer	Due Date	Amt Due
Hendro Riyadi	11/18/2013	4,223.00
Robson, Darc	12/15/2013	12,420.98
Allard, Robert	09/27/2014	14,510.00
Mackey's Nursery and Gar..	11/04/2014	13,900.00
Pretell Real Estate	11/09/2014	5,026.50
Cook, Brian	11/14/2014	9,397.33
Vitton, David	11/30/2014	700.00
Teschner, Anton	12/13/2014	565.95
Melton, Johnny	12/20/2014	8,618.64
Burch, Jason	12/25/2014	1,005.00

[Receive Payments](#)



Income Distribution

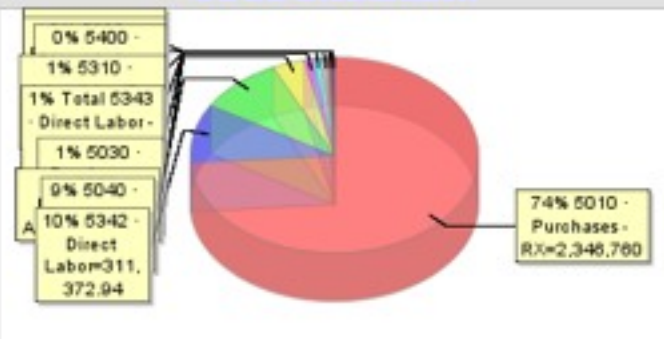
Income Distribution



- 4001 - Sales - 3rd Party
- 4002 - Sales - Co-Pay
- 4090 - HM
- 4095 - AD
- 4004 - Sales - OTC
- 4060 - Misc. Income
- 4058 - Gift Cards Income
- 4055 - Sales Discounts
- 4600 - Merchandise Sales
- 4003 - Sales - OTC - Diabetes/Breathin

< COGS Distribution >

COGS Distribution



- 5010 - Purchases - RX
- 5342 - Direct Labor
- 5040 - Purchases - HM
- 5050 - Purchases - AD
- 5030 - Purchases - Other RX
- Total 5343 - Direct Labor - Payroll Taxes
- 5310 - Advertising/Promotion
- 5400 - Direct Labor - Insurance
- 5200 - Freight/Shipping
- Total 5700 - Automobile Exp.

Current Ratio



AR / AP Ratio

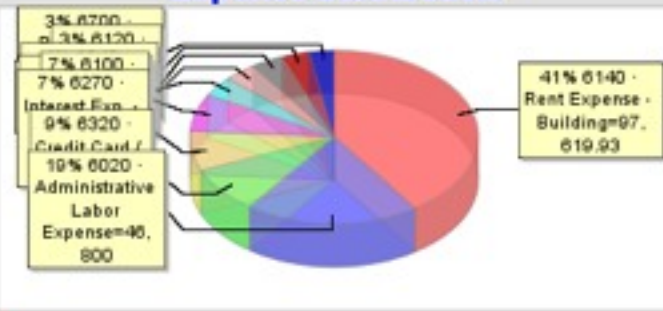


Debt to Equity Ratio



Expense Distribution

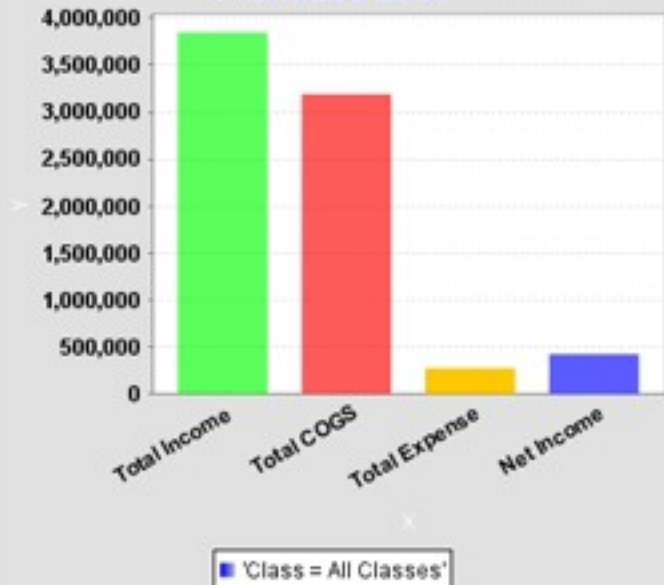
Expense Distribution



- 6140 - Rent Expense - Building
- 6020 - Administrative Labor Expense
- 6320 - Credit Card / Merch. Fees
- 6270 - Interest Exp. - Line of Credit
- 6100 - Office Supply
- 6080 - Accounting & Legal
- 6260 - Miscellaneous Exp.
- 6040 - Admin Labor - Insurance
- 6120 - Travel Expense
- 6700 - Repairs and Maintenance

Profit and Loss

Profit and Loss



What are KPIs?

- Metrics that measure what's happening in the company
- Assembled into a dashboard to help managers drive the company

Why are they important?

- Tells you how you're doing
- Early warning signal
- Helps team measure performance

KPIs and Financial Reporting

Function	Report	Frequency	KPI	Responsible
Strategy	Operating Budget (OB)	Set annually, updated quarterly	Reflects all KPI targets	General Manager
	P&L with ending cash	Monthly	Cash on hand	General Manager
Sales	Forecast – by \$ and volume	Set annually, updated weekly	Actual vs. plan	Sales Manager
		Annual target, quarterly review	Gross margin	Sales Manager
Purchasing	Availability report	Set weekly, updated daily	Price vs. plan	Buyer
Inventory Management	Aging – inbound, outbound, on hand	Daily	Safety stock levels	Whse Manager
		Quarterly	Customer svc levels Unsaleables	Buyer, Whse Manager
Operations	Trucking Costs	Evaluate annually	Expenses vs. budget	GM, Ops Manager
Accounting	AR Aging AP Outstanding	Monthly	DSO DPO	Bookkeeper
	Bad Debt Expense Audit Trail	Quarterly		Bookkeeper
Finance	Cash Flow Income Statement (P&L) Balance Sheet	Quarterly		Finance Manager

Stories, Questions, Answers

Thank You!