

# Mapping out a Growth Plan for your Business and the Role of Exporting

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**February 29, 2012**





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# What do I Want Out of My Business?

- \* Make a living?
  - \* Manage for profitability, take money out
- \* Pass on to my kids?
  - \* Maintain control
  - \* Succession planning
- \* Grow it and sell it at an irrational price to a large strategic buyer?
  - \* What drives value?
  - \* Do I need an investment partner?
  - \* What things should I be doing now to enhance value?
- \* What's my horizon?
  - \* 3-5 years
  - \* 10-20 years?

# Taking Stock of Where I am Today

- \* P & L
  - \* Gross Margins
  - \* Cash flow
  - \* Contribution
  - \* Breakeven
- \* Balance Sheet
- \* Team
  - \* Potential shortcomings
- \* Channels/Classes of Trade
- \* Regions/geographies
- \* Categories
  - \* Growth
  - \* Key segments
  - \* Consumer trends
- \* Breadth of Product lines
- \* Manufacturing and operations
- \* Brand development efforts

# S.W.O.T. Analysis

## The SWOT Matrix

<b>Strength</b> GOOD NOW Maintain, build, leverage	<b>Weakness</b> BAD NOW Remedy, stop
<b>Opportunity</b> GOOD FUTURE Prioritise, optimise	<b>Threat</b> BAD FUTURE Counter

## SWOT Analysis

		<i>External</i>	
		Opportunities	Threats
<i>Internal</i>	Strengths	How do you leverage your strengths to benefit from opportunities?	How do you use your strengths to minimize the impact of threats?
	Weaknesses	How do you ensure your weaknesses will not stop you from opportunities?	How will you fix weaknesses that can make threats have a real impact?

# Porter's Five Forces Model of Competition

## Threat of New Entrants

Barriers to entry

- Economies of scale
- Product differentiation
- Capital requirements
- Switching cost to buyers
- Access to distribution channels
- Other cost advantages
- Government policies

Incumbants' defense of market share  
Industry growth rate



## Determinants of Supplier Power

Supplier concentration  
Availability of substitute inputs  
Importance of suppliers' input to buyer  
Suppliers' product differentiation  
Importance of industry to suppliers  
Buyers' switching cost to other input  
Suppliers' threat of forward integration  
Buyers' threat of backward integration



## Rivalry Among Existing Firms

Number of competitors (concentration)  
Relative size of competitors (balance)  
Industry growth rate  
Fixed costs vs. variable costs  
Product differentiation  
Capacity augmented in large increments  
Buyers' switching costs  
Diversity of competitors  
Exit barriers  
Strategic stakes



## Determinants of Buyer Power

Number of buyers relative to sellers  
Product differentiation  
Switching costs to use other product  
Buyers' profit margins  
Buyers' use of multiple sources  
Buyers' threat of backward integration  
Sellers' threat of forward integration  
Importance of product to the buyer  
Buyers' volume



## Threat of Substitute Products

Relative price of substitute  
Relative quality of substitute  
Switching costs to buyers

# Taking my Business to the Next level?

- \* Beginning with the end in mind
- \* Mapping out a plan
- \* Who's executing?
  - \* Internal
  - \* Outsourced
  - \* Upgrades
- \* What resources are necessary
  - \* Capital
  - \* Service providers
  - \* Advisory board/board of directors
  - \* Share groups
- \* Planks in the growth platform

# Plank: Cracking the code

- \* Validation and traction
  - \* Optimal selling price
  - \* Where to merchandise
  - \* How to promote and demo
  - \* How to tell your story to the trade and consumer
  - \* By getting into a few stores and seeing evidence that it actually sells off the shelf
  - \* Production and shipping shakedown
  - \* What resonates? What do people respond to?



# Plank: Margin improvement

- \* Do I have rewarding and forgiving gross margins?
  - \* 40%+ food, 50%+ personal care, 60%+ nutritional products
  - \* So that you have a fighting shot at profitability and a sustainable business
- \* Relentless wringing of cost out of the system WITHOUT compromising quality, features/benefits, taste,
  - \* Who's pushing vendors for better pricing and terms?
  - \* Who's exploring new co-packing resources?
  - \* Can we do things smarter more efficiently?
- \* Can we take price?
  - \* Does your pricing reinforce your brand's positioning?
  - \* Where's the category and competition?
  - \* "Everyone cares about the price except the consumer"

# Plank: Distribution Growth

- \* Start with an authorization grid
  - \* Spreadsheet with accounts down the “A” column and sku’s across Row 1
  - \* Fill in “X’s ” for each authorization
- \* Sell more items to existing customers
- \* Sell existing items to more customers you belong in – in your channels and regions
- \* Sell new items to existing and new customers
- \* repeat

# Plank: Channels

- \* The usual suspects
  - \* Natural
  - \* Specialty
  - \* Grocery (supermarket)
  - \* Mass (Target, Wal-Mart)
  - \* Club
  - \* C-store
  - \* Military
  - \* Food Service
  - \* Spa
  - \* Table top (Bed, Bath & Beyond, W-S, Macy's)
  - \* Export
  - \* Gift
  - \* Hotel, airport
  - \* Online – Amazon, WorldPantry.com, etc.
- \* Go for validation and evidence of traction, don't fill out the channel, give acquirer room to grow.
- \* “Imagine the possibilities”

# Exporting

- \* Have a plan, don't just get pulled into it
- \* Where does it fit in the overall scheme of priorities and opportunities?
  - \* “We can do anything but we can't do everything”
- \* Some options:
  - \* Pass, not now
  - \* We'll sell you if you do the following:
    - \* Engage an export marketing company
    - \* Develop in-house expertise

# Exporting

## \* Reality Check

- \* Do you have the time resources?
- \* Who is going to lead the effort?
- \* Does your product have the proper shelf life?
- \* How able are you to modify your product and its packaging to meet the needs of foreign customers?
- \* Can you make marketing materials geared to foreign markets?
  - \* Business cards are no small matter!
- \* Do the economics work? Can you make money?

# Exporting

## Key issues to consider

- \* Labeling, regulatory
- \* Language
- \* Cultural customs, norms and business practices
- \* Value chain (ex works price, haulage, ocean freight, insurance, customs/duty, customs clearance, VAT, internal haulage, delivered price)
- \* One Importer? multiple distributors?
- \* Exclusivity?
- \* Currency
- \* Payment terms, (wired funds in advance, LOC, partial payment up front, terms etc.)
- \* Role of freight forwarder
- \* Do it yourself or use export marketing company
- \* Know about MAP monies, and assistance available from Foreign Ag Service, USDA, local State organizations, etc.
- \* What regions/markets first? Canada, UK, Asia?
- \* What is demand for your category?

# Plank: Velocity Growth

- \* Evidenced by Whole Foods Portal data
- \* UNFI Supplier Insight
- \* SPINS/IRI “Sales per point” of distribution growth
- \* Kehe/Tree Oak data
- \* Other distributor or retailer data (e.g. if DSD)
- \* Better to be in 100 stores flying off the shelf than just growing your business by adding new stores.
- \* “Sell through” counts much more than “sell in”
- \* Ultimate consumers voting with their dollars
- \* Especially – sales at full price not always on deal.

# Plank: Branding

- \* A Brand is a promise:
  - \*Benefits – differentiating in way meaningful to your consumer
  - \*Values – what do you stand for?
  - \*Wrapped in a personality (Godiva and B&J both super-premium)
- \* A great brand has authenticity and ultimately builds an emotional connection with the consumer.
- \* A great brand will engender loyalty, often results in higher pricing and gross margins
- \* Everything you do – packaging, promotion, pricing, publicity, either reinforces and builds your brand or diminishes it.
- \* Consumers want stories, not just facts
  - \*Rich narratives help to establish a long-term emotional bond with consumers
- \* Your countervailing force against the power of the retailer and distributor is consumer demand... for your brand!



# Plank: Consumer programs

- \* For most companies
  - \* Demos
  - \* Special events sampling
  - \* Social media
  - \* Public Relations
  - \* Tie-ins
  - \* Coupons
- \* Story telling
- \* Programs for
  - \* Trial
  - \* Loading
  - \* Volume building

# Plank: Systems and Process

- \* Trade spending
  - \* Communicate
  - \* Track
  - \* Evaluate
- \* CRM e.g. Turnlink
- \* Internal general ledger and ERP
  - \* QuickBooks to next level
- \* Quality Assurance
- \* Crisis plan
  - \* Recall
  - \* Communications

# Plank: Product strategy

- \* Line extensions
- \* Adjacent categories
- \* Where else can we take the brand?
  - \* “Permission to enter new categories”
  - \* E.g. Kashi, Annie’s
- \* Being mindful of limitations

# Capital Requirements

- \* Sales budget
- \* Cash budget
- \* Cap-ex?
- \* Marketing
  - \* New distribution costs
  - \* Brand building programs
- \* Staffing
- \* “Use of proceeds”

# Nuts and Bolts of Putting Together a Sales Plan

- \* Bottoms up
- \* Top down
- \* Push the process down to sales and brokers
- \* Use the plan as “living, breathing management tool”

# Bottoms Up

## Bottoms up

- \* Basically...
  - \* What is base business?
  - \* Keeping it all?
  - \* growth in base business
    - \* Velocity increases due to programs and marketing
    - \* Filling out sku's with existing customers
  - \* plus new products
  - \* plus new customers
  - \* plus new programs
  - \* function of stores x authorizations x turns x price
  - \* List all customers and expected sales for each
- \* Itemize new business, sku's, stores, turns, - key is timing of when business comes on.
- \* Push the process down to sales people and brokers, becomes basis for objectives.
- \* Shucking and jiving – whose version of the truth prevails

# Top Down – Macro Approach

- \* Size of category
- \* Growth of category
- \* Expected share
- \* Your Dollar value

# The Golden Mean

## Triangulating in on “The Number”

- \* Bottoms up = \$3.95M
- \* Top Down = \$4.2
- \* “Aha!” Plan = \$4.0M
- \* Factor in outside semi-irrational considerations (commitments to banks, investors, suppliers, passers by)
- \* Build spending to support sales level of around \$4.0M
- \* “Now we have the number”



# Flesh Out the Plan

- \* Refine monthly sales by customer, rolling up to sub-totals by region and/or by channel and then totals for the company. Generally, one spreads out monthly sales based on:
  - \* Percentage by month based on last year's monthly sales
  - \* Promotional calendar – especially any large national deals
  - \* Seasonality of your category
  - \* Timing of new products
  - \* Category review calendars
  - \* Expected timing of new customers

# More...

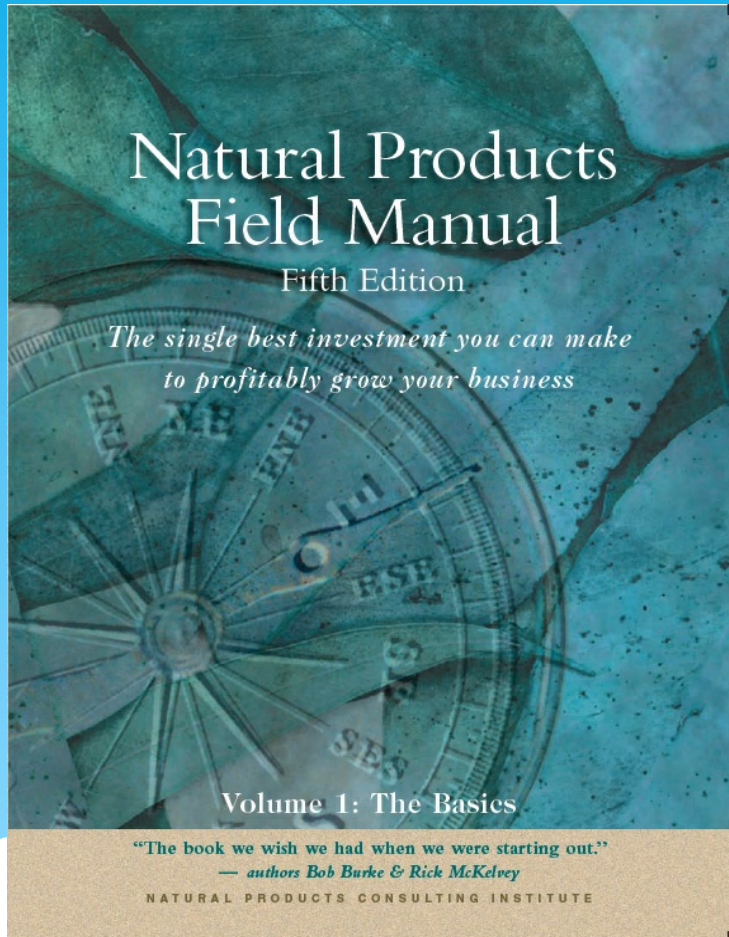
- \* Plug in trade spending by customer.
- \* Now that you have projected sales by customer, itemize the expected trade spending assigned to that customer upon whom the volumes are based. Trade spending generally includes:
  - \* Promotional discounts, allowances, bill-backs
  - \* Ads (retailer and distributor flyer ads, circulars)
  - \* Slotting/free fills (err... what's that?)
  - \* Demos (although some companies put this in marketing budgets)
  - \* Returns/spoilage/credits
- \* Bonus! You now have an “at a glance” P&L by customer, which can help you prioritize sales efforts and recognize “where you make your money.”

# Putting into Practice

- \* Budget is a management tool
- \* Examine results against budget and understand where variances are coming from
- \* Manage your resources by increasing or cutting back on spending, or shifting priorities based on opportunities and threats as they arise.

# Natural Products Field Manual

*Now – Newly revised, updated, expanded Fifth Edition*



- Complete, comprehensive, 4 volume, guide on “how to go to market” for natural, organic and specialty products
- Includes CD-Rom with directory of top natural retailers, mass-market natural buyers, distributors, brokers, industry resources, budget models, new item forms and store logos
- Practical, proven, best practices shared and illustrated by industry veterans
- Rich, insightful guest editorials by notable natural buyers, brokers and CEO’s
- \$30,000 in coupons
- Half Day consulting by author
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