

Maximizing Food Business Profits



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Challenges:

- Usually one owner/manager with a wide range of responsibilities and not enough time
- Resource poor
 - Cash
 - Expertise

Small Business Challenges

- The math does not work
- Owners do not learn from others
- Out of control growth
- Poor Accounting
- Lack of cash cushion
- Operation mediocre
- Operational inefficiencies
- Dysfunctional management
- Lack of succession planning
- A declining market

Top reasons small businesses fail

-New York Times 2011

Business order of needs:

1. Produce and sell the product
2. Generate profit and cash flow
3. Improve efficiencies to increase profit

Small businesses usually only get into #2 due to limited time and addressing large changes proportionally to the business

- Liquidity must be a prime objective
- Owner–managers direction should be back to basics
- Most small companies function best with conservative growth rates
- Need focus, vision, planning, standards and good management
- Seek and be open to good advice
- Do succession planning that functions for the business
- Know the market & changing times

Profit Impacting Areas to Examine

- Maximize income
- Streamline production systems
- Minimize costs
- Understand income, expenses and cash flow
- Increase price/value
- Improve marketing
- Maximum production

- Focus on practices that provide more consistent, high efficiency, and high quality
- Improve income per unit
- Test and find the ultimate balance between capacity and profits
- Prepare sales avenues
- Time sales for higher prices

Maximize Income



Lean companies are the surviving companies

1. Time saving equipment
2. Time saving services
3. Efficient use of staff time
4. Eliminate redundancy
5. Happy, engaged employees are effective and efficient


Streamline production systems



Refine production systems to reduce labor

- Analyze technology costs/needs/services
 - Change phone or cell
 - Automate sales online
- Reduce administration costs
 - Explore new cloud services
 - Accounting – part-time professional help
 - Get strategic tax planning

Minimize costs



Reducing operating costs by 5% can have the same impact on profit as increasing sales 30%

- Set budgets for operation expenses and hold staff to them
- Ensure a simple system is in place to purchase from preferred suppliers on deals rather than ad-hoc buys.
- Track those purchases -A \$20 lost receipt can result in a \$98 loss to a profitable company
- Increasing sales can proportionally lower fixed costs per unit

Minimize costs

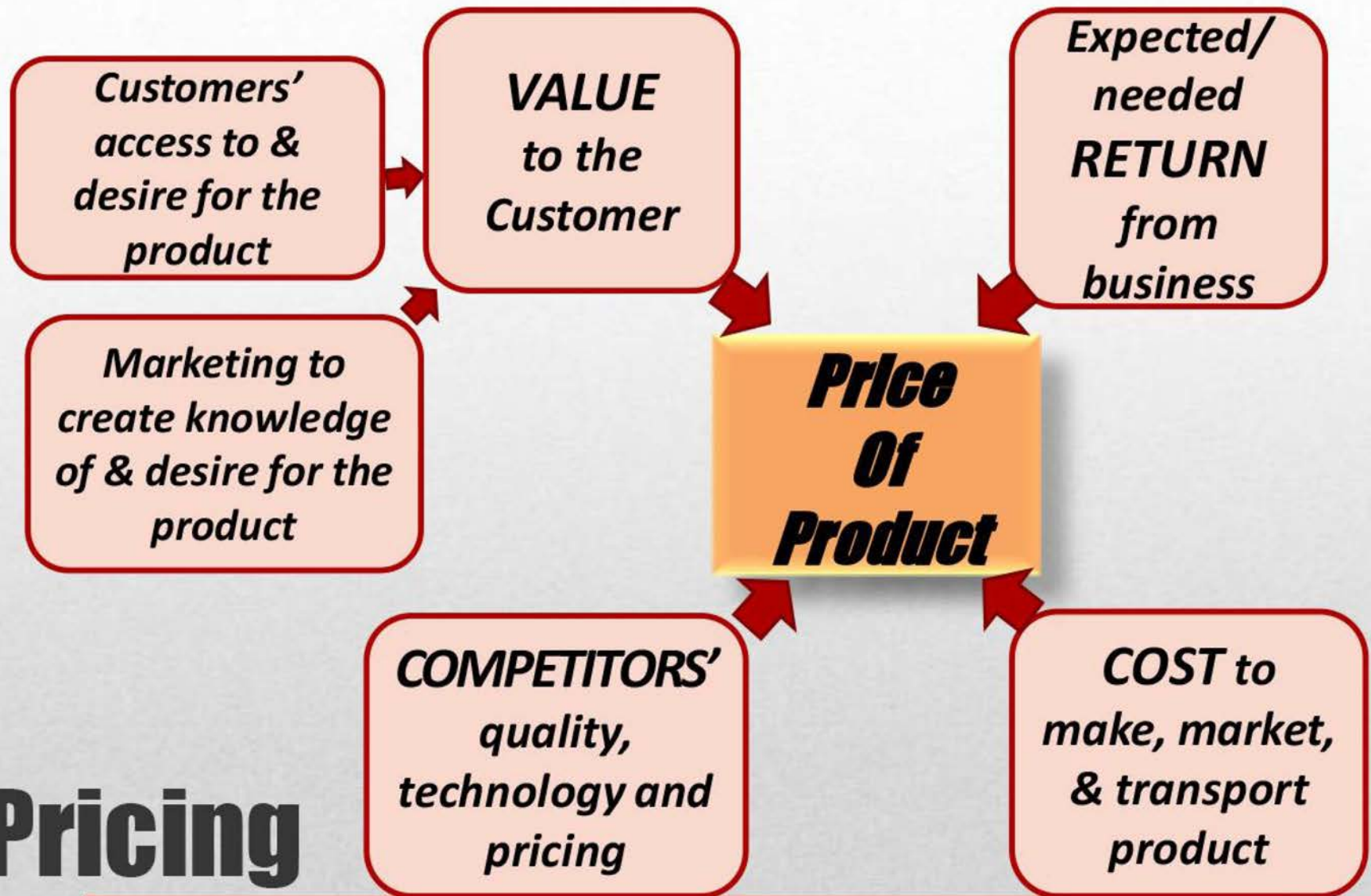
- Know income, and related expenses of each product
- Cash flow projection each month for at least 2 years
- Know overall business budget, costs, income so that you can adapt and deal with changes
- Find profit creating activities
- Work #s on the business until you find a price that covers the cost
- Have a cash cushion for downturns and problem times

Understand income, expenses and cash flow

- Price is only 20% of decision making – unless very competitive market
- Perception of product value is key
 - Story of production and product
- Add value by finding and addressing buyers frustrations, wants and desires
- Be unique
- Increase prices with potential consequences in costs and sales in mind and provide new value
- Provide outstanding customer service
 - Deliver as promised: where, before expected & in high quality

Increase price/value

Pricing



- Develop multiple market/ sales options
- Have plan B and C ready if the prime market falls through or the produce quality does not meet the prime market needs
- Market according to generation preferences
- Create joint ventures

Improve marketing

- Social media is the small business persons friend
- Create a quality website- ranked well organically
- Get referrals and testimonials
- Take advantage of digital marketing, advertising and landing pages

Marketing- tech



Maximize Production and Its Use

- Increase production per unit
- Focus effort in products providing the greatest return and prime market
- Have a plan for culls- bum batches, mislabels

Is the Product Profitable?

- Estimate the size of market you can acquire
 - Is it large, stable and long-lived enough to warrant starting the venture?
- Estimate price of the product
- Identify the cost of production
 - Consider all costs: Product development costs, registration fees, costs of production, cost of materials, cost of labeling, shipping, cost of marketing, staff, equipment, land, building, your labor, etc.
- Determine the break even point – add risk and profit

	B	C	D	E	F
1					
2			Total Units		
3	Qty		10	20	25
4					
5	Revenue	63	1,897	3,298	1,323
6					
7	Fixed Expenses		1,000	1,000	1,000
8					
9	Variable Cost 1	35	305	735	735
10	Variable Cost 2		793	250	290
11	Total Variable Cost		815	985	995
12					
13	Total Expenses		1,815	1,985	1,995
14					
15	Net Profit		812	633	323
16	Changes in Profitability			210	28

To gain greater profits all of following Impacting Areas need to be studied

- Maximize income
- Streamline production systems
- Minimize costs
- Understand income, expenses and cash flow
- Increase price/value
- Improve marketing
- Maximum production