

# Sizing the Market & Planning Growth

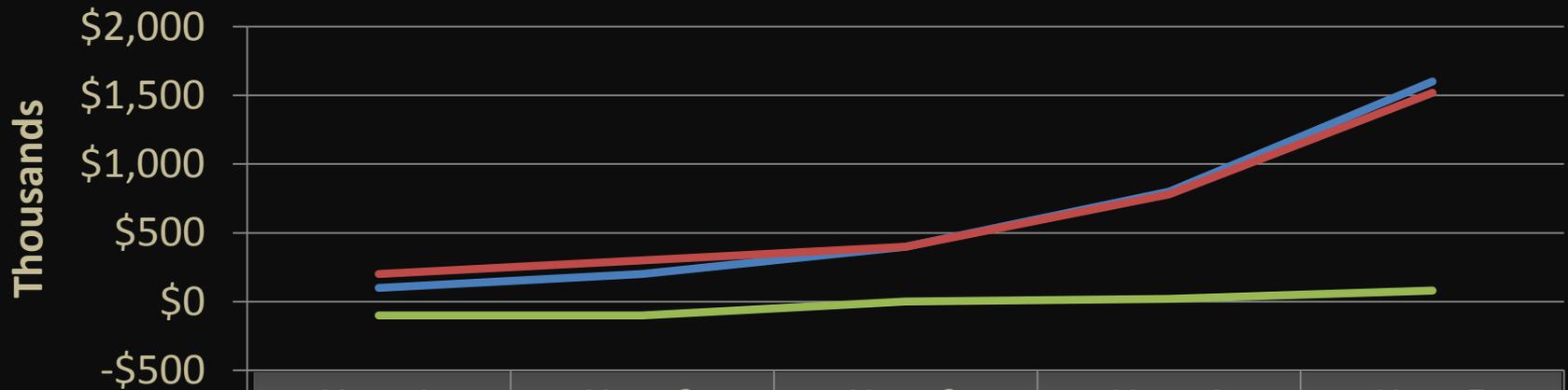
2013 Farm Viability Conference

September 27, 2013

**Malini Ram, Wholesome Wave Investments**

**Kathy Nyquist, New Venture Advisors**

# Start Up Financial Forecast



	Year 1	Year 2	Year 3	Year 4	Year 5
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%

# Agenda

## Intros

### Estimating Market Size - Kathy

Top-down

Segmentation

Bottom-up

### Building the Sales Pipeline and Forecast - Malini

Customer insights

Sales process

Forecasting

**\$2 Trillion**  
**U.S. food retail & restaurant  
industry**

*—Plunkett*

**\$400 Billion**

**Farm cash receipts for crops  
and livestock**

*—USDA*



**\$5 Billion**  
**Local food marketing by**  
**farms**

—*USDA*



**\$400 Million**  
**Wholesale demand for  
local food in Vermont**  
—NVA MarketSizer™



# Local Food MarketSizer™ by NEW VENTURE ADVISORS

[ABOUT OUR METHOD >](#)

### Select Food Categories

- Dairy
- Meat
- Poultry & Eggs
- Fruits & Veggies

**Submit**

[Reset Form](#)

### Select a State

Vermont

### Optional

Select an MSA  ?

Or

Select a County

Results for <b>Vermont</b>	Dairy	Meat	Poultry & Eggs	Fruits & Veggies
Local Quotient ?	<b>941%</b>	<b>74%</b>	<b>28%</b>	<b>32%</b>
Local Food Demand ?	\$ 96,431,752	\$ 108,820,947	\$ 46,396,528	\$ 166,847,958
Local Food Supply ?	\$ 907,129,754	\$ 80,932,102	\$ 13,160,327	\$ 53,196,849
Unmet Market for Local Food ?	See below*	<b>\$ 27,888,846</b>	<b>\$ 33,236,201</b>	<b>\$ 113,651,109</b>
	<i>in wholesale dollars</i>	<i>in wholesale dollars</i>	<i>in wholesale dollars</i>	<i>in wholesale dollars</i>

**Unmet Market for Local Food** is the difference between the value of local food demand and area production (supply) in the chosen categories. The unmet market may be far greater than these results if a large amount of production is marketed outside the state. Local food systems provide the means to redistribute existing production to local customers and increase area production by providing access to these local markets.

\* In this instance, local demand could be fully met with local supply if it were directed to these markets through a robust local food system.

[ABOUT OUR METHOD >](#)

# Limits

- **Data sources are not unique to local market**  
National at worst, regional at better, state-level at best
- **Commodity categories may be too broad**  
e.g. Meat, Poultry & Eggs
- **May understate unmet market**  
By not accounting for interstate exports
- **May overstate unmet market**  
By overestimating agricultural capacity

# Segmenting the Market

## Product | what you sell

Commodity types

Fresh vs. value-added

## Customer | to whom

Consumer

Chef

Distributor

Store manager

## Channel | how reached

Retail – direct

Wholesale – through  
intermediaries

## Geography | where

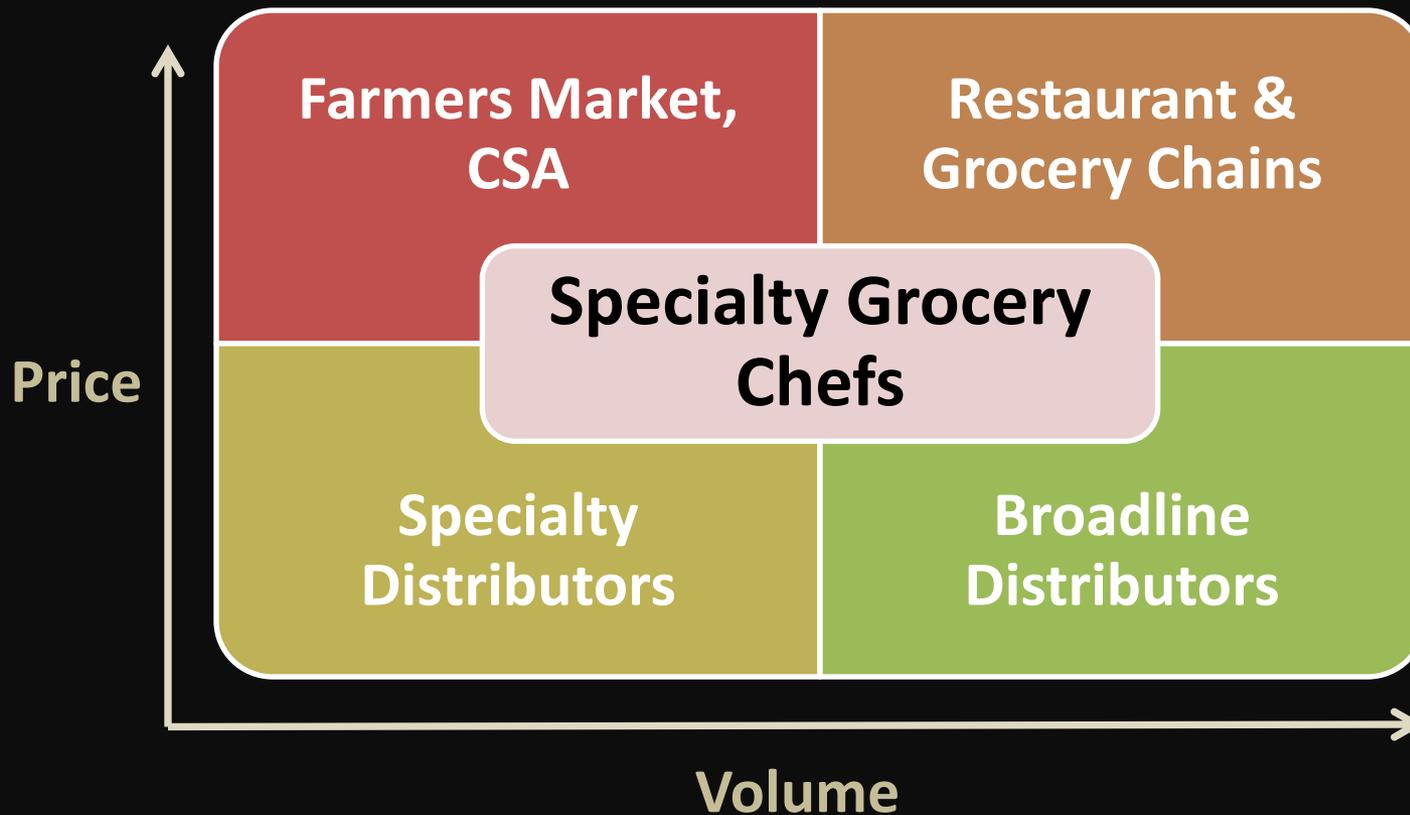
Primary markets

Entire trading area

# Selecting a Target Market

- In which you are **differentiated**
- In which you can **deliver value quickly**
- In which **customers are accessible**
  - Path to cash flow positive
- In which there are **adjacent markets** for growth

# Market Segmentation



# Target Market Selection - Example

**Product** | what you sell

Local Produce

**Customer** | to whom

Specialty Retailers – natural  
channel

Chefs – fine dining and fast  
casual with local concept

**Channel** | how reached

Direct

**Geography** | where

Chicago Metro

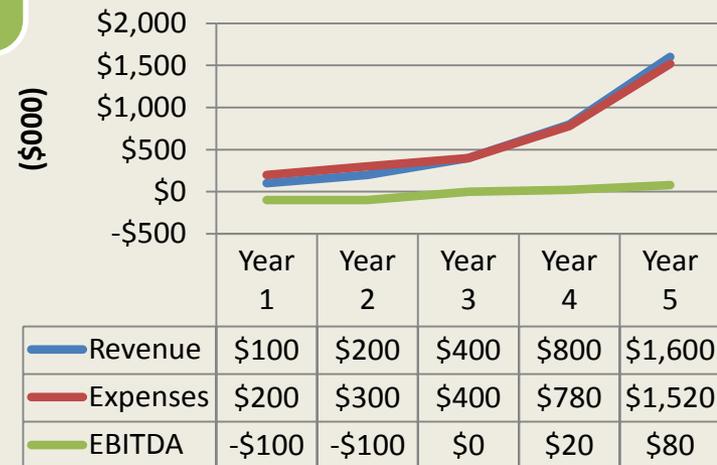
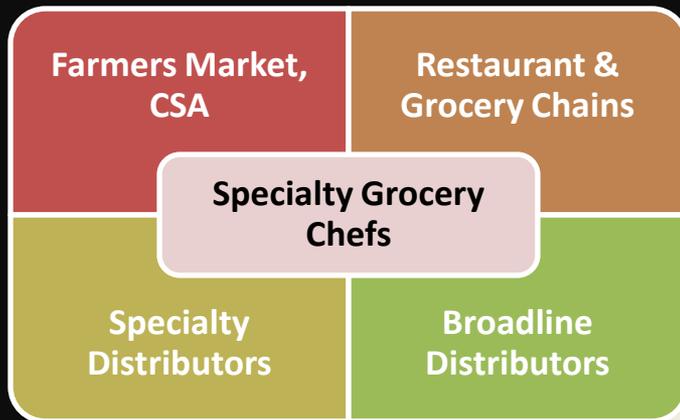


# Bottom-Up Market Sizing

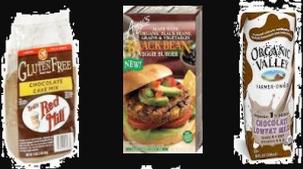
Type	Number in Market	Total Spending on Category	Total Spending on Local	Market Contribution
<b><u>Specialty Grocery</u></b>				
Whole Foods	21	\$11.0M	10% \$1.1M	\$23.1M
Marianos	5	\$6.5M	10% \$0.7M	\$3.3M
Independents	15	\$2.0M	10% \$0.2M	<u>\$3.0M</u>
<b>Annual Market Potential</b>				<b>\$29.4M</b>
<b><u>Chefs</u></b>				
Fine Dining	100	\$200K	50% \$100K	\$10.0M
Fast Casual	75	\$150K	10% \$15K	<u>\$1.1M</u>
<b>Annual Market Potential</b>				<b>\$11.1M</b>
<b>TOTAL MARKET POTENTIAL</b>				<b><u>\$40.5M</u></b>

Sources: Annual reports, Company websites, Baker Tilly, SBA, Interviews

# How do we get from this to operating reality?



# Let's be honest about the operating reality

		Avg. Op. Margin - Sector	
	FARMER	Varied	Labor Intense
	PROCESSOR	4-7%	Capital Intense
	WHOLESALE DISTRO	~2%	Capital Intense
	FRESH PREP	<5%	Labor Intense
	CPG	10-30%	Capital Intense
	RETAIL	3%	Labor Intense

# 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**

# A great growth plan shows cascading detail

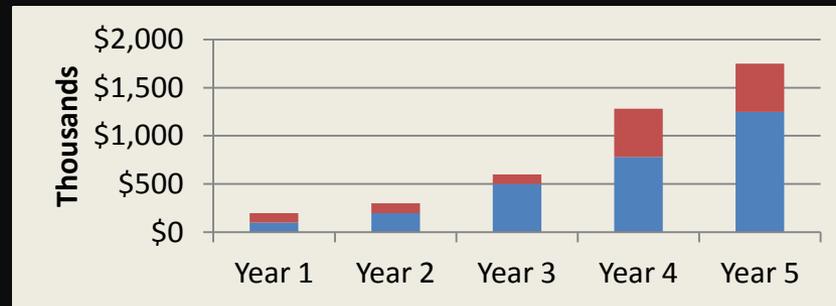
Our sales will grow because...

Potl Customer	Est. Sale	% likelihood	Status
<b>Institution A</b>	<b>\$20,000</b>	<b>100%</b>	<b>Committed - Anchor</b>
Institution B	\$5,000	75%	In discussion - pitched
Institution C	\$10,000	50%	Identified
Institution D	\$5,000	0%	Identified
Institution E	\$7,000	25%	Identified
.... (more)	....		Identified
<b>Total Pipeline</b>	<b>\$3 million</b>		
<b>Total high potential sales</b>	<b><math>\Sigma \text{ sale} * \% =</math></b>	<b>\$1 million</b>	<b>← Matches or close to sales projection!!</b>

# A great growth plan shows cascading detail

Our profit will grow because...

We know how costs will rise to get those sales



We have help from partners to do the work



# Agg & distribution enterprises have two drivers of value creation





# Segment, Target, then Position

## What do customers care about?



**Work backwards from customer to articulate the value of business**

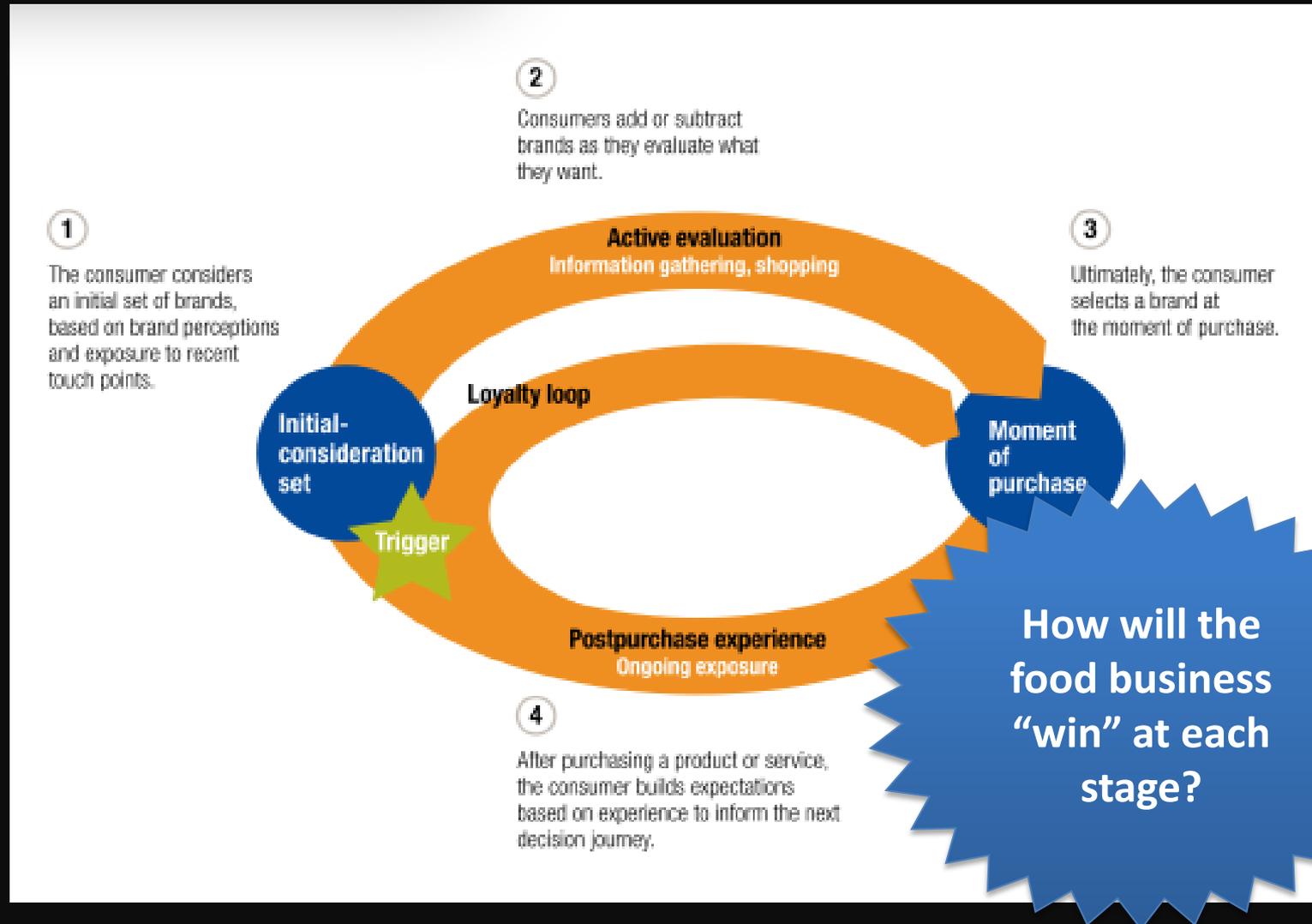
### ***Customer seg. cares about...***

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

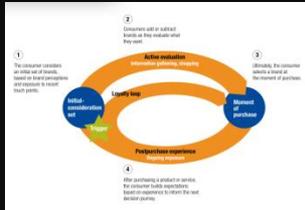
### ***Our food hub delivers....***

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

# How do customers make decisions?



# Why does a food biz need to track sales activity?

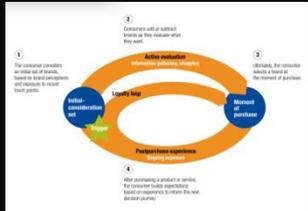


		# Org's	\$ value est.	Cycle length	Conv. %
1	Consideration	200 touches	NA	Var.	NA
2	Evaluation	50 pitches	\$500k	1 mo.	25%
3	Purchase	25 new orders	\$250k	1-week	50%
4	Post-Purchase Exp.	5 repeat sales	\$100k		20%

# Not every prospect converts – build a stronger pipeline

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# Tools of the trade: Develop tools for each part of the “decision journey”



1

Consideration

- Broad blast materials, industry building

2

Evaluation

- Broad based materials (get found)
- Sales Kit: Preparation & Pitch

3

Purchase

- Ops plan / Sales & Ops coordination

4

Post-Purchase Exp.

- Sales follow up / Customer management

# Tools of the trade: Develop touchpoints for each part of the “decision journey”

1 Consideration

2 Evaluation

3 Purchase

4

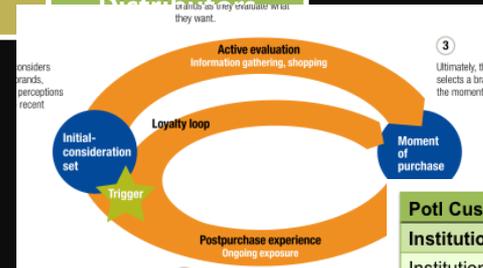
• Sales Kit

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## Preparation & Pitch - Workplace Wellness

- Basic company/org. research
- First Call Interview Guide, Script
- Proposal Dev. & Break-even Sales Worksheet
- Champion toolkit
- FAQs
- Reminders/FYIs for Ops team

\$5 Bn



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<b>TOTAL</b>	<b>\$1 million</b>	<b>← Matches or close to sales projection!!</b>

From  
Market Sizing  
To  
Sales Goals

# Field Stories and Q&A

What challenges & successes have you had with

Market sizing?

Sales planning?

# Thank you!



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