

March 8, 2018
Small Food Conference

STRATEGIC PLANNING 101

**Building Capacity and
How to Start Thinking
Like Your Budget**

Rebecca Frimmer





WHAT WE DO

Our goal is simple – to help passionate farmers and food artisans build lasting, profitable, locally-focused businesses. We accomplish this by working alongside our clients. No stuffy business plans that get thrown on the shelf, never to be looked at again. We have real-world experience and bring that to our work everyday. We have walked a mile in your shoes and understand first-hand the challenges facing small businesses. We are results-oriented, and our work is about actionable steps to make your business stronger and more profitable.



Advising + Coaching

It is true that it's lonely at the top. Our business owner/organizational leader advising and coaching provides lasting results through a relationship built on trust, honest communication and consistency.



Hands on Help + Project Management

Sometimes, advising isn't what you need, sometimes you need someone to get in there and get it done alongside you.



Small Business Bookkeeping

Bookkeeping that actually helps you manage your business, not just figure out your taxes.



Interim/Virtual Management Team

When your organization is in a period of growth and change, you sometimes need multiple levels of support to navigate change successfully



Helping passionate farmers and food artisans build lasting, profitable, locally-focused businesses.

AGENDA

- What is strategic planning?
- 5 Step strategic planning method
- Strategizing for profits
- Data collection and its benefits





"Passion is vital, but you got to have a strategy."

-Barack Obama



WHAT IS STRATEGIC PLANNING

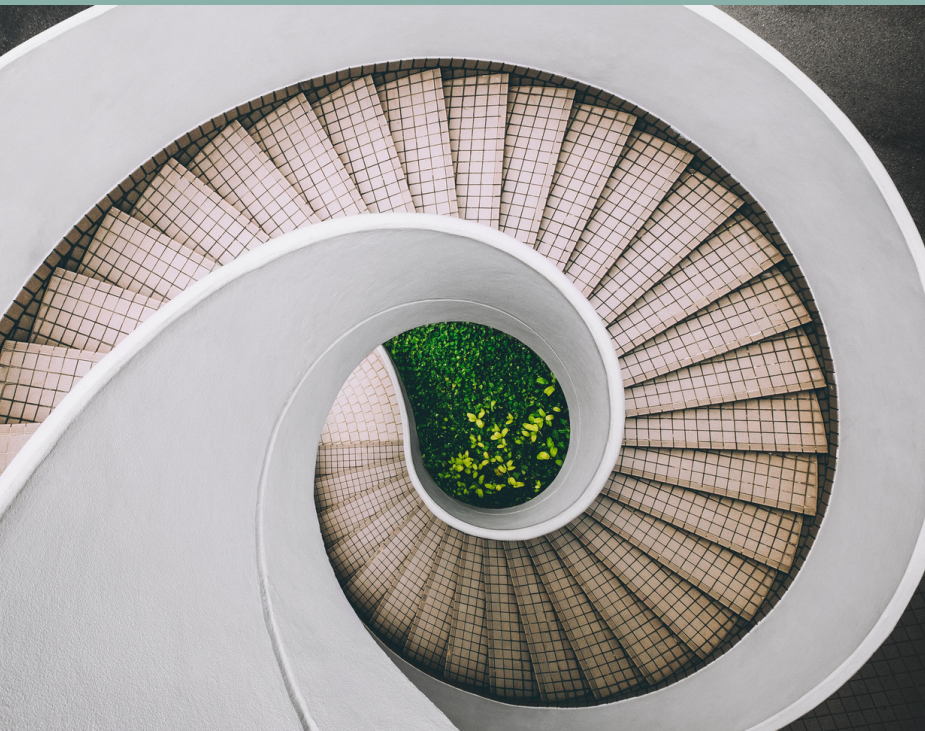
Strategic planning your business's process for defining direction and setting goals, creating a focus for planning for the year.

This process informs decision making to prioritize time, money, and use of resources to achieve goals.



WHAT ARE THE STEPS IN STRATEGIC PLANNING

1. Reality check
2. SWOT Analysis
3. Goal Setting and Strategic Objectives
4. Action steps and accountability
5. Review and revise on a regular basis



REALITY CHECK

What is this business good at doing?

What are we spending most of our time doing?

Are we profitable?

How do we generate profits?

How are we doing with capacity for production and staff?

Do we have the equipment we need to expand?

What's our competition doing?



**WE CREATE FOOD
WITH PASSION SO
WE CAN DO WHAT
WE LOVE**



THE SWOT ANALYSIS

A detailed look at how
you operate and how
external factors impact
your business



SWOT is an acronym for strengths, weaknesses, opportunities and threats and a structured planning framework for evaluating a business's internal strengths and weaknesses and the external opportunities and threats.

This is an effective tool for clarifying your direction, identifying where you need help, minimizing weaknesses, and knowing how you can capitalize on your strengths.



You don't know what you don't know

No matter what the scale, discovering the gaps in your business and overcoming them, through learning, repetition, and collaboration with others, is essential for innovation and success. Uncovering a flaw is a first step to a solution.





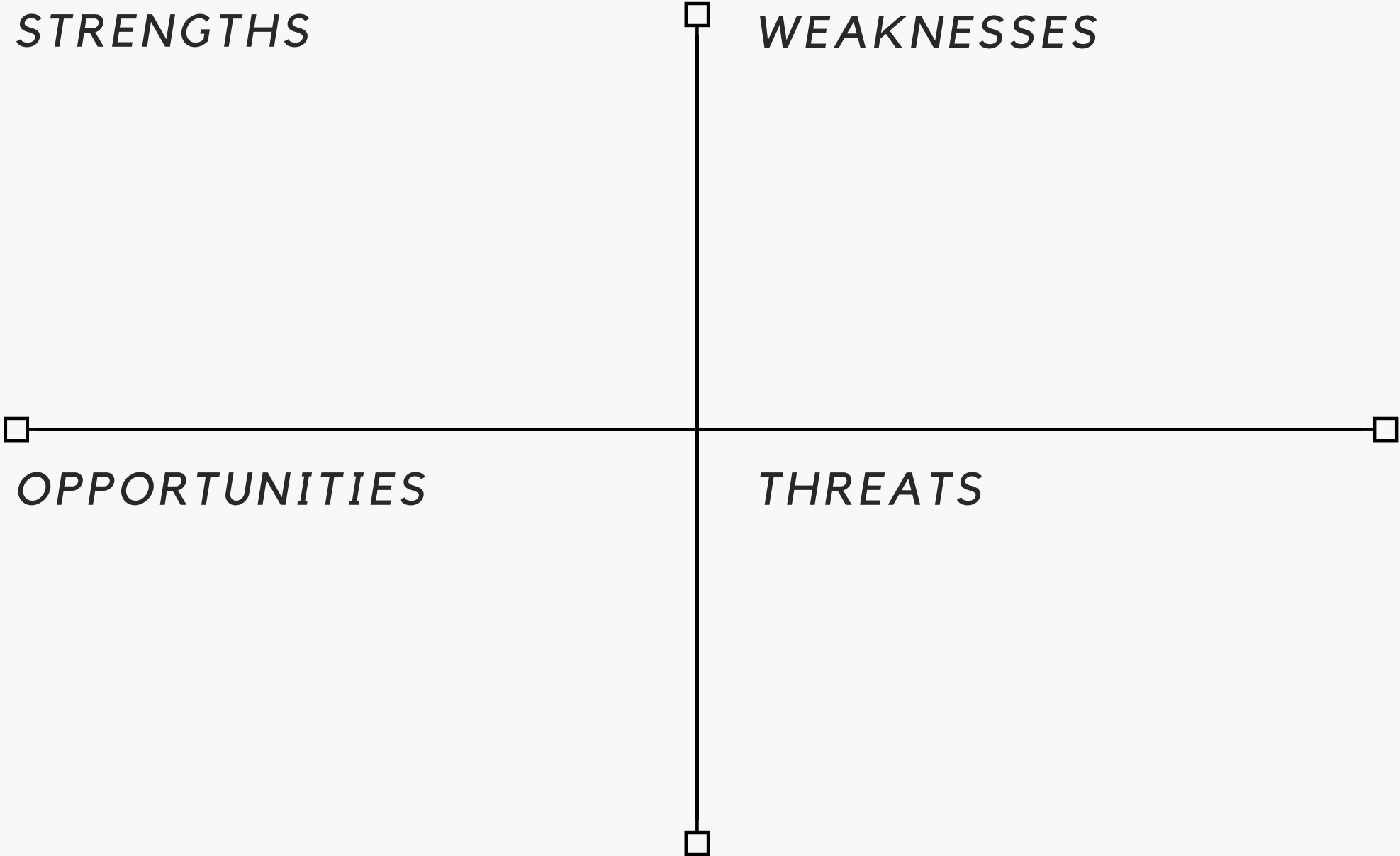
THE SWOT

STRENGTHS

WEAKNESSES

OPPORTUNITIES

THREATS



GOALS + ACTIONS

How do you determine
the most important
goals and get invested
in taking action?

- Determine priority goals based on SWOT
- Questions to ask:
 - What skills/strengths can be leveraged?
 - What weaknesses need more attention?
 - Are you addressing the threats?
 - What are your steps for harnessing an opportunity?



GOAL TO ACTIONS

- Break your goals down into specific tasks that need to happen to get you there.
- Decide: When will I do this by and hold myself accountable?
- Slice your year down into 3 month segments with achievable short term goals.
- This will keep you motivated to your larger goals as you see progress!



GOALS + ACTIONS

Consistency is king.
Design your actions
to support your rituals.

- Schedule a ritual for each goal

Example:

Goal - Generate 8 leads to secure
2 buyers in 3 months.

Ritual - Thursdays at 7:30am, do 1 hour
of marketing tasks followed by 30
minutes of outreach to buyers.

- Create detailed actions needed
to fulfill rituals and reach goals

*Let's take a few minutes to
determine goals and actions
for each of them!*



GOALS + ACTIONS

Get invested in your goals by creating a realistic ritual for each of them.

- Write down 3 goals for this season that have been validated by your SWOT.

- Break down each goal into high level actions with a scheduled ritual for that goal.



PROJECT PLAN + PROGRESS

How to Use the
Red/Yellow/Green
Accountability Tool

- Green - you're making progress and feel confident that you'll complete the action or task by its due date.
- Yellow - you're getting stuck and uncertain if you'll meet the deadline. When an item is yellow, consider assigning a new due date and figure out if you need help to complete it.
- Red - all progress has stopped and you're sure you'll miss the deadline. This is urgent - take action or get help.



PROJECT PLAN + PROGRESS

Review your task list each week and assign a color for tracking progress.



Wholesaling Project Plan and Red/Yellow/Green Progress Tracking							
Actions	Due Date or Frequency	12/15	12/22	12/29	1/5	1/12	1/19
GAP and Food Safety							
Perform GAP self assessment	12/29	Green	Yellow	Red	Yellow	Done	
Crop Costing / Wholesale Pricing							
Determine pricing for carrots at 30% margin	12/22	Yellow	Red	1/12	Green	Done	
Crop Planning / Planting Plan							
Fit increased carrot production into crop plan	1/12	Green	Yellow	Yellow	Green	Done	
Whole Farm Budgeting							
Price out/purchase packaging materials	1/19	Yellow	Yellow	Yellow	Green	Done	
Lead Generation							
Revise marketing strategy	1/5	Green	Green	Done			
Sales Pipeline Management							
Follow up with leads	Thursdays	Yellow	Yellow	Green	Green	Green	Green
Completed Tasks							
Simply drag the entire row under this heading when complete.							

**PLAN +
PROGRESS
SANITY CHECK**

Do you and your staff have the capacity and skills to meet your goal alone?

Where do you need support in your plan?

How will you pay for support?

What other expenses such as supplies and equipment will I incur to reach my strategic goals?

Bottom line: All plans should be supported with a budget.



REVIEW + REVISE

- Check in with your plans monthly and evaluate progress on 3 month goals and annual goals.
- Every quarter, set new 3 month slices of your goal to get to the major goal.
- Review your budget to make sure you are making the expected profits - go deeper than sales!
- Modify your plan as needed if results are not satisfactory
- Seek help and advice when you get stuck



WHAT'S MY MARGIN AND WHY DOES IT MATTER?



MARGIN, DEFINED

Gross margin aka gross profit

is a company's total sales revenue minus its cost of goods sold (COGS).

When talking per unit, this is sometimes called "Contribution Margin"

Why does this matter?

"Contribution"

represents the portion of sales revenue that is not consumed by variable costs and so contributes to the coverage of fixed costs and (hopefully) profits.



KTC'S THEORY OF 7 NUMBERS

Overview of
building a simple
profit & loss
statement

1. Revenues

2. COGS

→ Gross Profit

3. Operating Expenses

4. Labor

5. General and Administrative

6. Fixed Expenses

7. One-Time Expenses

→ Net Profit



HOW DOES THIS HELP MY PROFIT STRATEGY?

What's left?

Does it add up?

What if it doesn't?

Your gross margin tells you how much money you have after making your product.

From that money you need to pay...

- Yourself!
- Labor
- Overhead (rent, utilities, insurance, etc)
- Administrative costs (marketing, office supplies, etc)
- Operating Costs (fuel, supplies, equipment repairs, etc.)
- Interest on your loans



DATA COLLECTION & INFORMATION MANAGEMENT

- Gathering data informs all decision making
- The means by which we can assess an opportunity's upside or downside
- A farm or food business uses many systems that all need to speak the same language

- How much product can we realistically produce and sell?
- How much revenue can the business bring in next year if I sell 100% 85%?
- Are my prices right?
- Do I have a budget?
- Am I meeting that budget?
- Will I run out of money this year?
- What will my personal income be?
- How much can I afford to spend on marketing?
- Can I afford more labor?
- What other burning questions do you wish you could answer?

WHY SHOULD I COLLECT DATA?

Do you know HOW you make a profit?

Not IF...but HOW?

BEST PRACTICES

Accounting Systems As A Tool

This is not about accounting!

It's about using your accounting system (QB Online, QB Desktop, spreadsheets, etc.) as a tool.

Best practices are what make this tool great, starting with frequent and regular use to keep the tool tuned up and ready to put into action.



Eastbend Farm	
Profit and Loss	
January - December 2016	
	Total
Income	
Income	
Farm grown product	121,705.81
Rent and other Income	468.41
Resale product income	17,542.50
Total Income	\$ 139,716.72
Uncategorized Income	137.99
Total Income	\$ 139,854.71
Cost of Goods Sold	
Cost of Goods Sold	
Farm grown products	
Ammendments	256.00
Farm/Production Labor	51,292.52
Farmers Market Fees	1,963.84
Feed for livestock	2,457.52
Seeds	6,498.36
Soil purchases	336.96
Total Farm grown products	\$ 62,805.20
Resale product	9,905.68
Total Cost of Goods Sold	\$ 72,710.88
Total Cost of Goods Sold	\$ 72,710.88
Gross Profit	\$ 67,143.83

PROFIT AND LOSS SAMPLE

January - December
2016, Accrual

Gross Profit



Expenses	
Fixed Expenses	
Fixed Expenses- Other	216.32
Interest	3,099.98
Utilities	
Utilities	5,058.22
Total Utilities	\$ 5,058.22
Total Fixed Expenses	\$ 8,374.52
General & Admin	40.00
Bank Service Charges	63.35
Computer and Internet Expenses	11.88
Dues & Subscriptions	1,074.00
General & Admin - Other	1,488.33
Insurance	7,262.48
Marketing	250.00
General	811.17
Website	1,936.80
Total Marketing	\$ 2,997.97
Office Supplies	361.02
Professional Fees	8,176.93
Total General & Admin	\$ 21,475.96

PROFIT AND LOSS SAMPLE

January - December
2016, Accrual

Fixed + GA Expenses



Operating Expense - Farming & Production	
Equipment (Farm)	728.95
Farming Supplies	1,338.25
Fuel	2,598.79
Repairs & Maintenance	4,853.30
Sales	
Credit Card Fees	2,013.99
Sales Supplies for Market	1,028.60
Total Sales	\$ 3,042.59
Vehicle Payment	8,867.76
Total Operating Expense - Farming & Production	\$ 21,429.64
Uncategorized Expense	406.05
Total Expenses	\$ 51,686.17
Net Operating Income	\$ 15,457.66
Other Expenses	
Owner Draw	6,649.72
Childcare	9,080.00
Health Insurance, Owner	80.00
Total Owner Draw	\$ 15,809.72
Reconciliation Discrepancies	1.00
Total Other Expenses	\$ 15,810.72
Net Other Income	-\$ 15,810.72
Net Income	-\$ 353.06

PROFIT AND LOSS SAMPLE

January - December
2016, Accrual

*Operating + Other
Expenses
and
Net Income*



SALES BY CUSTOMER REPORT SAMPLE

*January - December 2016
Cash Based*



Eastbend Farm	
Sales by Customer Summary	
January - December 2016	
	Total
Rental	393.50
Correction	0.06
OnFarm	173.30
Market 1	14,998.90
Market 2	3,288.75
Market 3	9,594.65
Restaurant 1	56.80
Grocer 1	4,217.13
Restaurant 2	49.20
Grocer 2	1,038.20
Restaurant 3	59.50
Grocer 3	1,056.35
Restaurant 4	663.34
Institution 1	3,614.58
Restaurant 5	433.10
Restaurant 6	190.00
Restaurant 7	96.64
Restaurant 8	59.22
Restaurant 9	55.50
Institution 2	5,500.13
Grocer 4	1,865.25
Restaurant 10	84.00
CSA	89,715.00
TOTAL	\$ 137,203.10

***What do I do now
that I know what
I don't know?***

Start using a system for tracking,
organizing, and accounting for sales
and expenses!



Create a monthly stats report / spreadsheet

- Production quantities by item
- Quantities sold by item
- Unsold quantities by item
- Sales (\$) by channel: wholesale, farmers markets, etc
- Top 3 customers, sales \$
- Balance in checking account and cash (\$)
- Balance in loans (\$)
- Balance on Credit card (\$)
- Accounts Receivable (\$)
- Accounts Payable (\$)
- Expenses by category

*compare month to month and against your plan

WHAT CAN I START DOING NOW?

If you don't have an accounting system yet, and need to learn to create financial statements on your own for the future, what can you do now that is of value and informs your business?

Create a log for expenses / spreadsheet

- Costs of Goods Sold (1:1) like seeds, packaging, rubber bands for bunching, fertilizer, soil amendments, hydro nutrients
- Labor / wages and labor related expenses like taxes and workers comp insurance
- Overhead like utilities, insurance, rent, vehicle payment
- Operating Expenses like supplies and fuel
- Administrative Expenses like office supplies, computer repair, printing and advertising
- One Time Expenses like equipment purchases

*tally monthly and add to your monthly stats report

WHAT CAN I START DOING NOW?

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HOW DOES THIS HELP ME?

- It tells a story
- It highlights comparisons and identifies trends
- It gives you a template for making a budget
- It helps you understand HOW and WHERE you make a profit...then it's up to you





Get in touch!

Rebecca Brumberg Frimmer

Kitchen Table Consultants

Entrepreneur In Residence

703-593-5420

rebecca@kitchentableconsultants.com

THANK YOU!



www.kitchentableconsultants.com