FOOD HUB KEY PERFORMANCE INDICATORS (KPIS)

A Greenbelt Fund and National Good Food Network Webinar
January 31, 2019
Webinar Overview

- Tech Orientation
- Welcome
- 100KM Foods, Inc.
- The Produce Box
- Q & A

Ellie Bomstein
Wallace Center at Winrock International
About the Wallace Center

The Wallace Center develops partnerships, pilots new ideas, and advances solutions to strengthen communities through resilient farming and food systems.

- National Focus • Systems Change
- Multi-Sector Partnerships • Market-Based Solutions

**Key Strategies**

- Peer Networking and Outreach
- Capacity Building, Training and Technical Assistance
- Documenting and Sharing Replicable Models and Innovations
- Applied Research and Knowledge Development
HOW TO FIND US

▪ Wallacecenter.org

▪ NGFN.org
The Greenbelt Fund supports and enhances the viability, integrity, and sustainability of agriculture in Ontario and Ontario’s Greenbelt.

Through grants, educational workshops, webinars, and networking initiatives, the Greenbelt Fund’s goal is to create systemic change to permanently increase the amount of local food consumed in Ontario.

*Sign up for the Greenbelt Fund newsletter to stay up-to-date on the next webinar!*
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- **100KM Foods, Inc.**
  Optimizing A Wholesale Hub

*Grace Mandarano, Founder, CFO*

- The Produce Box
- Q & A
The importance of Key Performance Indicators

key performance indicator

noun  BUSINESS
plural noun: key performance indicators

a quantifiable measure used to evaluate the success of an organization, employee, etc. in meeting objectives for performance.
“key performance indicators show big improvements and delivery times have been reduced”
Key Performance Indicators (KPIs)

If you don’t know where you are, it’s tough to get to where you want to be.
Start with a Question

Why did we miss our sales targets?

Why was our cash flow tight?

Why were we not profitable?

(Does the first one explain the other two or is there more going on here?)
100KM FOODS – Sales Achievement 2018

AREA OF FOCUS/PROBLEM IDENTIFIED

We achieved 89.5% of sales target.

It was the first time in ten years we missed our sales target.

What can we do to ensure we hit targets moving forward?

Do following years’ targets need to be adjusted?

Why were our sales reps still so well paid (at a similar rate to 2017, when we had achieved our sales targets and were profitable)?
100KM FOODS – Sales Achievement 2018

ANALYSIS (KPIs)

**Weekly Sales to Target:** Top 2 accounts closed within first few weeks of 2018 and had an immediate effect on weekly sales. Combined loss of revenue from those closures accounted for 63% of total 2018 sales shortfall.

**Market Forces:** Provincial government announced minimum wage increase and there was some panic in the restaurant industry, resulting in chef choices to buy cheaper food.

**Market Share:** Survey Results still indicate on average customers buy less than 30% of everything they could buy from us – revisit previous sales strategy to increase sales within existing accounts as primary focus.

**Sales Commission Structure:**
2018: [base salary + 2.5% of total GP] for their accounts
Target % of Sales Cost for field reps: 0.8%
Actual % of Sales Cost for field reps: 1.7%

Commissions when sales reps hit targets were similar to when they missed targets.
100KM FOODS – Sales Achievement 2018

SOLUTIONS

Enlist a Sales Consultant to build a Strategic Sales Plan:
➢ Forecast sales potential by category (tiered based on potential)
➢ Set targets and track: # of sales interventions/year by tier
➢ Set targets and track: 1 day per week prospecting & cold calling, new account creation

Hire Sales Manager:
➢ Track and motivate sales reps on a weekly, monthly, quarterly basis on metrics identified in strategic sales plan

Execute on New Marketing Programs:
➢ Brand Ambassador Program—word of mouth!
➢ Offer chef incentives to refer other chefs—word of mouth!

New Commission Structure:
➢ 2019: [base salary + 8-10% of GP GROWTH] for their accounts.
➢ Designed to compensate growth, more aligned with company achievement.
➢ Target % of Sales Cost at 100% of target: 1.2%
➢ If zero growth, % of Sales Cost: 0.9% (failsafe)
Minimum 100% to target in sales in 2019, achieved by:
➢ TBD targets of growth within existing accounts
➢ TBD targets of new account sales added per rep
➢ TBD targets for Sales Reps number of interventions by tier

New sales rep fully trained by May 1st 2019

Sales reps paid well AND company also meets targets!
100KM FOODS – Cash Flow 2018

AREA OF FOCUS/PROBLEM IDENTIFIED

Cash flow is tight.

We are in our line of credit far more than we were last year.

Our Accounting Clerk is overworked as he has expanded his role and taken on new responsibilities beyond just A/R collections.

A Canada Post strike is looming and we still receive most of our payments by cheque in the mail.
100KM FOODS – Cash Flow 2018

ANALYSIS (KPIs)

**DSO** – we get paid on average in 36 days.

**DPO** – we pay farmers on average in 21 days.

This discrepancy is causing us to bridge finance the gap, which negatively affects our cash flow. This problem increases every year as the business grows.

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**Figure 1:**
Conventional Working Capital Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Formula (Annualized)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable (A/P)</td>
<td>DPO Days payables outstanding $\left( \frac{\text{Average month-end A/P balance}}{\text{Annual COGS}^*} \right) \times 365$</td>
</tr>
<tr>
<td>Accounts receivable (A/R)</td>
<td>DSO Days sales outstanding $\left( \frac{\text{Average month-end A/R balance}}{\text{Annual Sales}} \right) \times 365$</td>
</tr>
<tr>
<td>Inventory</td>
<td>DIO Days inventory on hand $\left( \frac{\text{Average inventory balance}}{\text{Annual COGS}^*} \right) \times 365$</td>
</tr>
</tbody>
</table>

*Cost of goods sold*
SOLUTIONS

Fast track hiring an Accounting Clerk to report to the newly promoted Accounts Manager and task them with an initial focus on A/R collections.

Include as part of the Accounting Manager’s and Accounting Clerk’s performance review documents (PRDs):

➢ Targets to switch customers to pay by EFT vs. by cheque.
➢ Targets to get DSO and DPO closer together (by increased collections on AR, not by delaying AP payments to farmers)
EFFECTS/RESULTS

DSO and DPO should be as close to one another as possible.

Should be converting a minimum of 60 accounts per year to EFT payments.

Should only carry a balance on the Line of Credit during the off-season.
100KM FOODS – Profitability 2018

AREA OF FOCUS/PROBLEM IDENTIFIED

We generated $8 million in sales, yet we broke even. That’s not cool.

Was missing our sales target the sole cause? What else could be happening?

Is it just a 2018 problem?

At what point do we become reliably profitable?

This is important for funding, employee profit-sharing, and overall health of the business.
100KM FOODS – Profitability 2018

ANALYSIS (KPIs)

Gross Profit Margin
Analyzed on a weekly basis and found:
➢ Rarely hitting target GP of 26.6% (typically achieving 23-25%, with an average of 24%).
➢ Compared two scenarios:
   ➢ Achieving 100% 2018 sales target ($8.8M) at 24% GP
   ➢ Actual 2018 sales of $8 million at the target GP of 26%
➢ Factoring in the changes in variable expenses, GP had a larger impact on profitability than sales!
➢ The impact of a higher GP increases as the company grows, so a healthier GP is a more sustained way of being more profitable!

Key Expense to Sales Ratios
➢ Payroll was 13.75% for 2018 (on track)
➢ Fuel was at 1.7% vs. 1.5% budgeted (not significant)
➢ Vehicle Costs were 4.7% vs. 3.7% budgeted (not significant).
Price Review by category
We increased prices on items that should have a premium, and anywhere we felt the market could bear a slight increase (seemingly small tweaks have bigger impact every year!)

Vendor Pickup Fees
We will be instituting a fee schedule to cover some of the cost of direct-to-farm food procurement

Ultimately, this is about sharing the load of a very expensive cost procurement model that serves it’s partners, employees, and the greater community.
100KM FOODS – Profitability 2018

**EFFECTS/RESULTS**

We should achieve 26% GP Margin in 2019 and begin being profitable at 90% of sales target.

We should be more resilient to market forces outside of our control.

This will ensure the ongoing existence of a viable, sustainable, healthy, local food economy in Ontario.
Setting the stage to start using KPIs

PRIORITIZE ACTIVE ACCOUNTING

Requires a fantastic bookkeeper, who:
➢ keeps you on track
➢ keeps you compliant
➢ reviews, checks, inquires, corrects, guides

Reconcile your accounts as frequently as possible (monthly is ideal)

Get intimate with your Profit & Loss Statement

Cash flows aren’t just that sick—in-the-tummy feeling about the balance in your bank account
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- Tech Orientation
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- 100KM Foods, Inc.
  - Analysis and Observations

  Erin Pirro
  Farm Credit East

- The Produce Box
- Q & A
“A-ha!”s : 100KM Foods

- Real Problem Identification vs. DO SOMETHING!
- Work smarter, not harder
  - Build a team
- Realize training takes time, set a goal
- Follow your mission
  - Get the cash from A/R, not A/P
- Category Margins – and contributions
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- **The Produce Box**
  Keeping a Consumer Box Program Efficient

  *Courtney Tellefsen*
  Founder, CEO

  *Craig Smith*
  Director of Finances and Human Resources

- Q & A
Knowing your numbers

Courtney Tellefsen
Craig Smith
The Produce Box
www.theproducebox.com
Our Story

Founded in 2008 (entering our 12th season)

We hand-deliver boxes of produce and artisan food to the doorsteps of our members each week.

Members can customize their boxes by swapping in/out 1-2 items from their box, adding items, or completely customizing a box from “scratch”.
11,000 members
That’s a lot families!

220,000 orders delivered
And a lot of veggies!
Components of our Business Model:

- Menu Creation and Weekly offerings
- Net Membership
- Order Percentage
- Packing
- Delivery
- Food Cost
We think about these Revenue KPI’s every day:
We think about these Expense KPI’s every day:
Food Costs

Box choices offered each week are determined by

- price tolerance
- product availability
- member favorites

... all correlating to our overall food costs.
Managing Food costs:

Accurate records
Usage History
Availability
Value
Waste

The key to PROFITABILITY!
Packing

Total Packing Wages are adjusted every week.

- Significant portion of the packer staff is part time / on call

This allows extremely efficient use of resources.
Managing Packing Costs:

Customization Level
Member Behavior over time
Process Improvement
Delivery

Routes are evaluated using

- truck costs
- the number of boxes delivered or to be delivered on the route

The number of boxes needed to make it a profitable route also takes into consideration company expenses per box including overhead.
Managing Delivery Costs:

- Fuel Expenses
- Driver Labor
- Route Distance
- Stops on a route
Building our boxes

Balancing profitability, customer needs and farmer needs
Building our boxes:
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Erin Pirro
Farm Credit East

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“A-ha!”s : The Produce Box

▪ Internal benchmarking
  ▪ When a change comes, it’s not a surprise

▪ What gets measured gets managed
  ▪ Retention is an opportunity!

▪ Carry little inventory
  ▪ What does that do for your company?

▪ Checks and Balances
  ▪ What we THINK we bought it for vs. what we ACTUALLY bought it for

▪ Accuracy vs. Precision
  ▪ in the cost of handling
WEBINARS ARE ARCHIVED

TOPICS!

http://ngfn.org/webinars
Get to know the Food Systems Leadership Network!

A national Community of Practice for staff and leaders of non-profit, community-based organizations working on food systems change.

Focused on:

• Systems leadership development
• Strengthening operational and management capacity
• Sharing and adapting cutting-edge program strategies
• Supporting, celebrating, connecting and investing in the diverse individuals and organizations working on food systems transformation!
Join us!

Contact us: FSLNinfo@winrock.org

www.wallacecenter.org/communitybasedfoodsystems
NON-PROFIT BOOT CAMP BEGINS FEB. 14!

- The Spring NPBC eLearning Series will deliver courses on organizational wellness and resiliency, effective facilitation, team management, and strategic communications.
- First up: Organizational Wellness and Resiliency with Christina Garza, Director, Social Change Institute
- February 14, 21, and 28 from 2pm – 3pm CST
LEGAL FOOD HUB WEBINARS

- Project of the Conservation Law Foundation
- Tue 2/5 @ noon ET
  Words Matter: Protecting Your Trademarks
- Tue 2/26 @ noon ET
  Entity Governance for Businesses & Nonprofits

More info: legalfoodhub.org/services/education/
HTTP://NGFN.ORG

contact@ngfn.org