Pricing and Go-to-Market Guide

for Food Products

Prepared by PRICING INNOVATIONS

Contents

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Important disclaimer

The products and brand imagery in this guidebook were chosen to exemplify a concept or demonstrate the execution of a key go-to-market principle. Neither Pricing Innovations LLC or AURI endorse or have any financial interests in any of the brands referenced in this guide book.

Chapter 1: Fundamentals of Pricing

Introduction

In food, the primary objective of the pricing exercise has long been "covering the cost." The thinking behind this exercise is that '*without knowing what your offering costs to make it available to your consumers, you can't know how much money you need to make a profit.*' However, entrepreneurs of all domains are increasingly turning that statement on its head:

Without knowing how much you can change* charge? *for your offering, you can't know what product, channel, distribution and other costs you should incur to make a profit.

While making sure that covering the costs-of-good-sold is a good management practice, it doesn't fully inform food entrepreneurs about their options to optimize their cost structure and maximize their gross profits. Due to the competitive nature of most food categories, methods such as value-based pricing are hard to accommodate when consumers make value judgements in a split-second based on factors such as past purchase behavior, brand perception, referrals, occasion, convenience, etc. However, there is one pricing best practice which holds true whatever your space and that is ***starting your product and go-to-market journeys with the price.***

9 out of 10 businesses price their offerings just a few months before the product launches, which is simply too late since the offering is already built.

On average, companies spend 2-3 years in product research and development, 12-18 months in go-to-market planning and execution, and just under eight hours in pricing decisions. Today, 9 out of 10 businesses price their offerings just a few months before the product launches. which is simply too late since the offering is already built.

Introduction

When you price just before the product launch, you miss the opportunity to answer key questions such as:

1. What is the maximum price you can charge for your offering? Given the maximum price point, what's the offering that you must develop to achieve high margins?
2. What is the cost structure that you must incur to meet your profit goals?
3. Do you have pricing power over your channel partners and buyers?
4. What types of product differentiation (positive or negative) do you need to build into your offering to justify your pricing position?
5. What are the optimum production, packaging, channel, promotional, and distribution costs to meet your revenue and profit goals?
6. What is the product line strategy that is best aligned with the growth plan?
7. How do your product line and revenue growth plan impact your cost structure?

It was a pleasure to partner with AURI to present food entrepreneurs with strategies and tactics to price food products. We hope this guidebook helps you ask critical business questions, *differently,* and that the Food Pricing Canvas™ will be a useful tool to set your pricing strategy. Please reach out with any questions or feedback to Pricing Innovations at info@pricinginnovations.com or to AURI at jwagner@auri.org.

Ready to dive in? Let's first begin by clarifying what pricing means, because pricing doesn't necessarily mean "prices."

Pricing doesn't necessarily mean "prices."

Value created vs. value captured

As a food entrepreneur, you "create" the value in a new offering, but the amount of value you can "capture" depends on what your customers are willing to pay. Pricing is defined as "the point at which the value exchanges from the supplier to the consumer.

In microeconomics, value is defined by the below equation.

Value = (willingness to pay) – (opportunity cost)

There are many conclusions to draw from this fundamental equation. Here are a few key takeaways for food entrepreneurs:

Conclusion 1: If your customers are not willing to pay for your product then you haven't created enough value. Therefore, whatever your price, "value" resides with your customers' purchase behavior. If your customers don't attribute enough value to your offering at a given price point, you will not have enough customers no matter your pricing method. If you believe you have created value for which customers are willing to pay, then the value equation becomes the "comparative value," or the value in relation to the opportunity cost (what you are giving up in order to purchase the product)..

If your customers are not willing to pay for your product,
then you haven't created enough value.

Value created vs. value captured

Conclusion 2: You can drive the total amount of value created by increasing customers' willingness to pay in relation to every other option, including not making any purchase at all. Thus, <u>your comparative positioning is what matters at the point of purchase more than any other factor</u>.

One of the best ways to increase willingness to pay, though less common in food and beverage categories, is positioning the outcomes of consumption. When consumers can imagine an outcome, they get closer to achieving the outcome for themselves. Therefore, it is important to highlight what your product DOES as well as what it For example, a drink purchase might be about quenching your thirst OR getting an energy boost, a fiber bar purchase might be about making you feel full OR improving your digestive health, etc.

The key is messaging beyond what your product is and making sure that the consumer understands what it does. Here is an excellent in-market example of the differences in Chia Seed positioning:

1. "Superfood of the Aztecs"

This brand expects that buyers will buy Chia Seeds because it's the "Superfood of the Aztecs." It assumes the category is well understood.

2. Packed with Fiber, Protein and Omega-3

This brand talks about the components of health benefits and assumes that buyers know what those components actually do.

3. 2 out of the 5 messages are outcomes

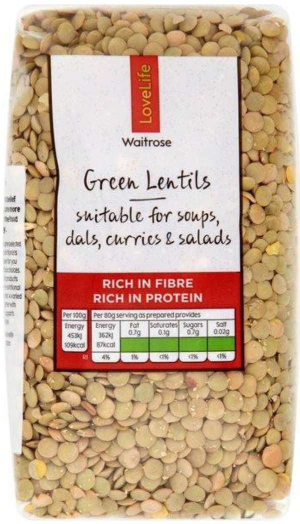
Among the five listed benefits only two are outcomes: weight control and increased mobility.

4. Visualize and realize the outcomes

This brand not only guides the buyer in visualizing how the product can be used (drinks, baked goods) but also what it does for them (thickens soups,

Value created vs. value captured

Conclusion 3: The total amount of value created decreases as the difference between your customers' willingness to pay for your product and other alternatives decreases. While providers and category buyers make most of their decisions on the "competitive set," consumers make their point-of-purchase judgements instantly using a "comparative set." Wherever possible, food entrepreneurs must make the comparison as easy as possible (See our excerpt Easy = True). Highlight your points of differentiation by making them clear, easy to understand, and positioning them upfront. Keep in mind, however, that asking a consumer to evaluate multiple attributes among the choices can moderate his/her judgment, causing them to discriminate less between the alternatives. As a result, highlighting TOO many differentiating attributes may cost you the opportunity to effectively differentiate your brand.



Food for thought:

While this brand does a good job in communicating the benefits using a chart, other opportunities may exist to describe its differentiated health benefits. For example, referencing other types of foods because of their high protein and fiber content might help make the messaging more concrete:

- 4X the fiber in oatmeal
- 2X the protein in eggs and almonds
- Less time to cook than most other legumes

Highlight your differentiation by making it clear, easy to understand, and

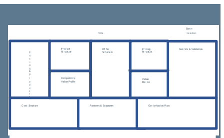
positioning upfront.

How to use this guidebook

The key in pricing is to drive top-line revenue while maintaining margins. This is only possible by asking the right questions for your specific growth opportunity, attaining a good grasp of your cost structure, and scenario-testing the financial implications of your different options. The Food Pricing Canvas™ is a powerful tool that helps you ask the right questions, challenges you to validate your answers, and introduces you to a disciplined approach towards making revenue and profit related decisions.

The Food Pricing Canvas™ is separated into 10 sections, each guided by food industry-specific principles and including 5-7 questions for you to answer about your business. The guidebook also provides advice from experts in our local Minnesota food economy, as well as a practical one-page worksheet to communicate your plan to your stakeholders.

Canvas Section



- Key Learnings
- Insights
- Subject matter expert interviews
- Quotes
- Do's and don'ts
- Other resources

Questions for you

Q1

Q2

Q3

Q4

Q5

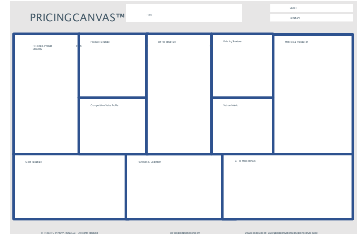
Q6

Q7

Here are some suggestions to most effectively use the Food Pricing Canvas :

1. Work as a team and set aside at least one day for the initial discovery
2. Adjust the questions in each of the ten sections to focus on your specific growth opportunity
3. Challenge your team to state your answers quantitatively as well as qualitatively
4. Reflect on the applicability of the expert quotes
5. Build a financial model and scenario test the impact of your pricing on your demand, distribution, channel, and cost structures.

Introducing the Food Pricing Canvas™



The Food Pricing Canvas ™ consists of ten sections, each representing a structural component of your business, product, and market. Each section will help you design your pricing plan using the principles of strategic and competitive pricing. The guiding statements will help you validate the financial outcomes of your strategic and tactical decisions. Print the blank canvas on the next page and get started!

Pricing Canvas ™ is a growth tool which helps to align your key business structures.

FOOD PRICING CANVAS™

Title:

Date:

Iteration:

Business Strategy

Product Line Strategy

Pricing Strategy & Structure

Metrics & Validation

Competitive Value Profile

Channel Strategy

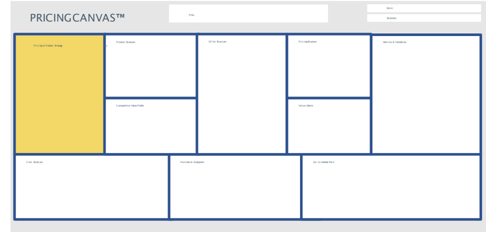
Cost Structure

Partners & Distribution

Go-to-Market Plan

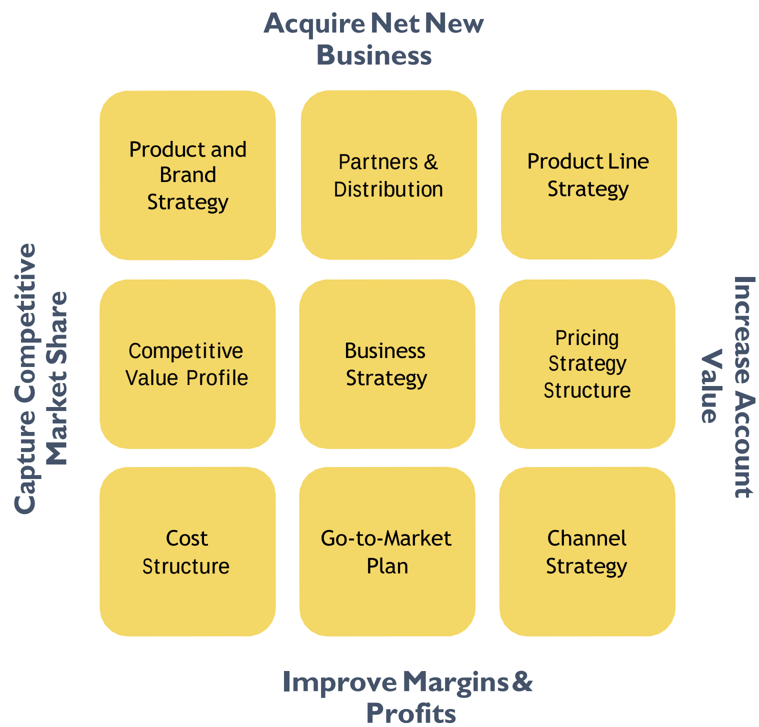
Chapter 2: Strategy

Business strategy

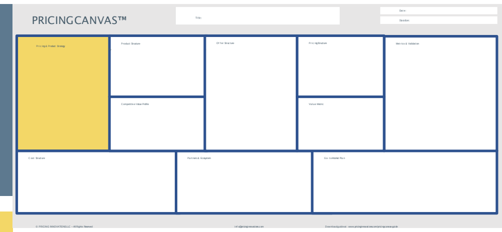


Most businesses drive growth in one of four ways: acquire net new business, increase the account value of the existing business, improve margins or profits, or capture competitive market share. The Food Pricing Canvas™ helps you determine which growth aspect to focus on to drive your specific business growth strategy .

1. **Acquire Net New Business:** Focus on product and brand strategy, new partnerships and distribution channels, overall product line strategy and product mix.
2. **Increase Account Value of Existing Business:** Focus on the product line and channel strategy, and optimize your pricing structure. Scenario-test the marginal impact of any strategic and tactical move on their margins.
3. **Improve Margins or Profits:** Consider the cost implications of all Costs of Goods Sold (COGS) such as the distribution relationships, broker relationships, full kitchen rental costs and/or contract manufacturing tolls, marketing costs, costs of strategic expansion, all costs of time, etc.
4. **Capture Competitive Market Share:** Strengthen your competitive pricing position within your category. Align your branding, packaging, and cost structure to compete on margins.



Business strategy



The entrepreneurial experts interviewed for this guidebook all emphasized regret in not knowing the cost to scale before they started selling. Some of the questions they wished they had tried to answer earlier include:

1. Would you rather become a $500K company with $100K margins or a $2MM company with $100K margins? Do you know the difference between the two operations?
2. If your 2018 revenue target is $1M, why is it not $4M or $450K?
3. What are the step changes in your growth strategy?
4. How will you scale across channels, geographies, categories, through product line extensions etc.?
5. Do your operational requirements fit your financial plan?

"You have to adjust your mindset to your business strategy. Food entrepreneurs don't all have food backgrounds, so they sometimes fail to look at the cost implications of COGS such as the distribution relationships, broker relationships, full costs of kitchen rents, co-packaging, marketing costs, costs of strategic expansion, costs of time, etc."

– Rob Fugile

Questions for the canvas

Q1. What's your overall business and growth strategy?

Q2. Have you defined your category clearly? Are there additional categories you could be pursuing?

Q3. Are your current segments different than your growth segments?

Q4. What are your segmented revenue and profitability goals?

Q6. How will the trends such as growth, flavor, and consumer behavior in your category impact your 3-year strategy?

Q6. How and by how much will your new offering(s) drive your revenue goals?

Product and brand strategy

Entrepreneurs must be able to justify a price premium for their offering in convincing ways. Questions such as the below must be answered to convince each of the consumer, the merchandiser, and the retail broker and may require unique answers for each of these buyers:

— What is remarkable about your product? How are you going to stand out?

— What unmet needs does your offering help address?

— Why is it worth $X?

— Why is it worth $Y more or less than your competition?

— Who is your customer?

— What did you learn from consumer research that you didn't kno before?

— What does your product mean to people?

— What are the trends in your category?

Brand position informs price position and vice versa

Some important determinants of brand/price perception might be:

— Know the category leader and determine your position against them.

— Define your closest competitor and your primary differentiation from them. Articulate how you will concretely message your key points of differentiation .

— Translate your brand's story into a clear message. Make sure your message includes product outcomes.

— Test the lower and upper limits of your pricing window and see if they are consistent with your brand positioning.

Questions for the canvas

Q1. What need does your offering address? How does it address those needs?

Q2. How are the prospective customers addressing that need today? What aspects of the unmet need are most important to your consumers?

Q3. What's the primary occasion for your consumers to purchase your offering? Are there secondary or tertiary occasions?

Q4. Where would your consumers go in the store to find this [item]?

Q5. How can you simulate the purchase context and environment to learn more?

Food for thought: What's the occasion?

"It's important to ask people 'when do you see yourself consuming [eating, drinking, etc.] this?' People generally know when they won't eat something." – Karly White

Brands are increasingly shifting towards reimagining the way they sell and develop new food offerings based on the consumption occasion. One of the key questions a marketing research professional asks their audience is: ***what's the occasion?*** Your package count (number of units in the package), package style, distribution, and promotions strategies might vary significantly based on your consumers' response..

For example, in the snacks category some of the available occasions could be:

— Pick-me upper – snacking for physical or mental fulfillment
— Meal replacement or displacement
— Side dish to another food item
— Managing the appetite
— Supplementing or optimizing nourishment
— Pleasure, comfort and emotional enjoyment
— Children's lunches or meals

If we assume the majority of people in your trial research group said they were looking for a snack for immediate consumption, the next learning might be where they would purchase it and whether the product is present in those channels:

— Food retailer, i.e., grocery store
— Foodservice, i.e., restaurant
— Online , i.e., Amazon.com
— Workplace, i.e., cafeteria
— Vending machine
— Other

If the second largest group in your consumer research said their primary occasion is gifting, you must consider not only the different purchase behaviors, motivations, and average spend, but also your cost structure.

— Corporate gifting
— Holiday gifting
— Special occasion gifting
— Specific demographic gifting

"The future of snacking demands that companies think about development from a needs-based perspective. Orient your offerings to at least one of the fundamental drivers of nourishment, optimization or pleasure. A clear point of differentiation that aligns to one of the three will be critical for providing a value proposition that connects with consumers"
Source

Product line strategy

Entrepreneurs must approach their food innovation as a product line of complementary, substitute, and adjacent offerings rather than a single product. This requires implementing the operational structures to grow and the programs to collect insights to expand the product lines.

A line extension is usually a natural move for a product line strategy but sometimes it can change your cost structure quite drastically, and most likely in a non-linear way. For example, consider a new gluten-free addition to your product line. Not only might you have to identify and start-up a new gluten-free co-manufacturer, but your new cost structure might be tightly coupled with the factors in your co-manufacturer's entire supply chain.

Questions for the canvas

Q1. What factors drive the overall satisfaction and utility in your category?

Q2. What are the opportunities to integrate those factors into new offerings in your category or adjacent categories?

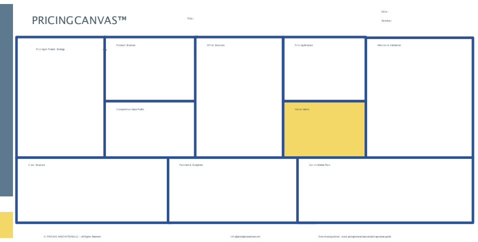
Q3. How will your product line extension impact your fixed and variable costs?

Q4. How will your product line impact your operational and financial models?

Q5. How will your product line extension impact your brand and pricing positions?

Q6. What strategic or operational advantages (capital access, relationships, etc.) do you have to pursue line extensions?

Channel strategy

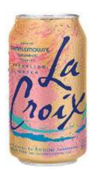


Don't mistake market validation for market demand

Small scale channels such as farmers' markets and specialty food stores can teach you a lot about market acceptance, but can provide poor signals for market demand and the cost implications of growth on cost structure.

If your early adopters are in a different segment than your mass-adopters, you haven't validated your mass-adopters' willingness to pay. For example, a $10 price per jar farmers' market validation doesn't teach you much about $5 per jar retailer adoption. That research must be done separately, as the consumers are significantly different. Smaller retailers present easier relationships to manage, and also provide opportunities to establish revenue generating operations with high price points.

Consider treating different channels as opportunities to introduce price discrimination. For example, you can find:



- 8 cans per unit for $3.69 at Kowalski's
- 12 cans per unit for $4.29 at Cubs

"There's something to be said about doing your own consumer insights research. For example, the founder of Lara Bar, received permission to sell Lara Bar at the doorway and ended up learning everything about the consumers in the channel herself." – Karly White

Questions for the canvas

Q1. What's your Amazon strategy? You must have one.

Q2. How are your go-to-market, marketing, and promotional strategies different across channels?

Q3. Will you sell direct? If so, how will your digital marketing spend impact your cost structure?

Q4. What are the differences between the price sensitivity of the buyers in each of your channels? How will it impact your packaging and pricing?

Q5. How will you react to the competitive pricing in each of your channels?

Q6. What's the expected loyalty in each channel?

Chapter 3: Packaging and Branding

Packaging

"First of all, your offering must taste good, and after that, it must look good."
–Dina Goodman

Your packaging must match your story and grab the attention of the buyers who are most likely to buy your offering. Here are some of the key guiding principles in packaging:

— Functional benefits must be believable

— The design must pop-out

— Positioning must be clear in relation to the dominant brand

— Superior benefits must be obvious for easy decision making

— Packaging must fit with the pricing architecture of the category (i.e. sparkling > enhanced > still)

— Brand messaging must be on-trend

— Promotional value, if any, must be clearly communicated

Trends to consider for packaging innovation:

— **Fewer person households:** Consider fewer units per package resulting in higher margins

— **Smaller portions**: Test alternative price points for constructing a volume-price curve

— **Distinct e-commerce only offerings**: Establish brand, get quick feedback on mass adoption, and test alternative promotions

— **Dinner occasion:** Understand if you can make a differentiated play with this growing trend

— **Less is more:** See our excerpt [Easy = True]

"While new packaging can help with your margins, sales may not pick up. Consider the case of a fat can vs. skinny can. When Aquafina got into cans it didn't work out at all. However, skinny cans did much better for Dasani and even better for Simply Balanced. "

–Keith Wolter

“One of the most successful launches last year was Mini Reese’s. The key strategy that led to the successful launch was that Reese’s chose to go to its brand champions instead of its past consumers or non-consumers. The key insight was that people who loved Reese’s said they were embarrassed when the Reese’s wrappers piled up on their desks. Thus came Mini Reese’s –a repackaging innovation with native pricing powers in its well-established consumer base that addressed this consumer concern.

Oreo Thins, thinner slices of Oreo, are also an on-trend, repackaging innovation with little to no impact on Oreo’s pricing and margins.

Repackaging offers a lot of food innovation. People want the real thing, they don’t want to live in deprivation. It’s un-American to live hungry.”
*– **Karly White***

Competitive value profile

What's your price justification?

Packaged goods brands must communicate their differentiated value with a single statement, or in just a few words. Differences in value might come from the portion size, better quality ingredients, superior dietary performance, exotic- aromas or flavors, etc. Increasingly, added value is about the fit of the consumption experience within the occasion; for example, the convenience of the packaging or the serving size.

In general, people pay attention to the following as sources of differentiation: flavors, natural ingredients, organic ingredients, alternative ingredients, social cause, and innovative or new ways of experiencing consumption. For example, consumers generally tolerate a 10 percent price premium for organic ingredients.

Understanding why consumers choose among competitors is key, but you must also know how buyers and channel partners choose among suppliers. To that end, determine what value drivers your offering will add to the assortments of your buyers and channel partners. For example: which value drivers can you make better or more cost effectively than others? Alternatively, which of your value drivers are constrained by your resources or operations? *(Source)*

Questions for the canvas

Q1. What is remarkably different about your offering? How will you message it?

Q2. How do your consumers fulfill their needs today?

Q3. What are the product attributes that are familiar and unfamiliar to your consumers? How will your consumers drive their own conclusions?

Q4. How will you determine and communicate the incremental value of your differentiation?

Q5. If anything, what diminishes your consumers' willingness-to-pay for your comparative set?

Food for thought: Easy = True

The below is an excerpt from: [How 'cognitive fluency' shapes what we believe, how we invest, and who will become a supermodel] - By [Drake Bennett]. The below ideas are about "cognitive fluency" and are meant to serve as "food for thought" as you think about communicating your comparative value proposition in the simplest and most understandable ways for split-second purchase considerations.

Cognitive fluency is simply a measure of how easy it is to think about something, and it turns out that people prefer things that are easy to think about to those that are hard.

Psychologists have determined, for example, that shares in companies with easy-to-pronounce names do indeed significantly outperform those with hard-to-pronounce names. Other studies have shown that when presenting people with a factual statement, manipulations that make the statement easier to mentally process - even totally non-substantive changes like writing it in a cleaner font or making it rhyme or simply repeating it - can alter people's judgment of the truth of the statement, along with their evaluation of the intelligence of the statement's author and their confidence in their own judgments and abilities.

"People are very sensitive to the experience of ease or difficulty, but very insensitive to where that feeling comes from," says Norbert Schwarz, a psychologist at the University of Michigan.

It isn't just visual cues that have this sort of effect. Matthew McGlone, a psychologist at the University of Texas, has found that auditory cues can shape people's perception of truth: "The persuasive power of repetition, clarity, and simplicity is something that people who set out to win others' trust - marketers, political candidates, speechwriters, suitors, and teachers - already have an intuitive sense of if they're good at what they do. What the fluency research is showing is just how profound the effect can be, and just how it works."

Cognitive fluency signals familiarity - some psychologists argue that the eerie experience of déjà vu is simply when we're fooled by the unexpected ease of taking in a piece of sensory information, and interpret that as a memory of having been there or seen it before. Familiar objects [are] those we'd already passed judgment on, so it [makes] sense not to waste time and energy scrutinizing them.

"Fluent things are familiar, but also boring and comfortable," says Piotr Winkielman, a psychologist at the University of California San Diego. "Disfluency is intriguing and novel. Sometimes you like comfort food, like when you're sick. And usually you want to try something new when you're more comfortable."

Therefore, it's important to consider the purchase context and make your offer and pricing as easy to understand as possible.

Food for thought: Easy = True

Chapter 4: Pricing

Pricing strategy and structure

It's not your consumers' job to price your offering One of the most common pricing mistakes is to price your offering at whatever the consumer is willing to pay rather than what it's worth. There are two primary reasons behind this inclination.

Reason #1: believing what consumers say they will do. Behavioral economics research shows that when asked for our willingness-to-pay, we can judge relative differences but we cannot judge absolute values. Therefore, our responses tend to follow a series of heuristics and biases which don't reflect our future purchase decisions.

Reason #2: as a supplier, your job is to position your offering among the comparative set and ask for the pricing that reflects its true value. Otherwise, you become a price taker informed by a limited number of samplers who may or may not know your category or space as well as you. However, the latter also puts the lion's share of responsibility on you to quantitatively know the value and worth of your offering.

"Never ask price directly. The best way to learn about people's willingness to pay a premium is to give them a budget to spend and then learn about the reasons behind their decisions"

–Karly White

Questions for the canvas

Q1. Who's your consumer? How many different types of consumer do you have? How are their respective price sensitivities different?

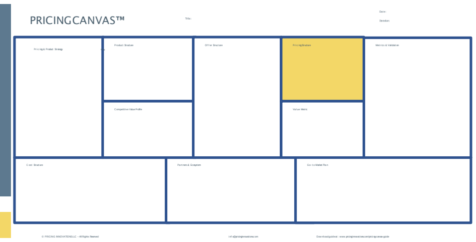
Q2. What's your consumers' average spend on this category per month?

Q3. What's your estimated demand for each segment in each channel? Can you meet the demand profitably?

Q4. What's your opening price-point? What's your plan for price movements over the product lifecycle?

Q5. How will you use discounts or special pricing tactics such as discounts to drive sales?

Pricing strategy and structure



Frequency distributions are your friend

In short, frequency distributions describe the number of instances in which a variable takes each of its possible values, and are essential when conducting consumer research.

Specifically in pricing, the variables whose distribution we aim to learn are the following five statements:

- **Definitely would buy**
- **Probably would buy**
- **Might/might not buy**
- **Probably would not buy**
- **Definitely would not buy** *(Source)*

A common mistake researchers make is to provide consumers with multiple price points and ask them to indicate among the above statements. This way of price testing doesn't sufficiently simulate a purchasing decision and therefore should be omitted.

A better approach, where possible, is to provide each consumer with a trial and provide them with a price point within your pricing window. Then, ask the consumer to individually choose from the statements and repeat the exercise as many times as possible. You can use this approach to measure consumer preferences for size, quantity, channel access, taste, purchase frequency occasion, among others.

Questions for the canvas

Q6. Will any of the products in your product mix be affected by the price change in one of your products? How will you price your product mix?

Q7 What is the impact of a change in your cost structure on profitability? Can you pass rising costs to your end-product prices?

Q8 Can you increase sales with different pricing strategies? What are they?

Q9. Will a change in your pricing offset the resulting change in your revenues?

Q10. How will you defend your price position?

Q11. What types of data do you already have?

Food for thought: Considerations for your pricing strategy

- When you think of "value" consider both monetary and psychological determinants of value.
- Describe your customers' purchase context as clearly as possible: when, how, and why are they buying? Find out if you can innovate anything about their context.
- Low pricing is never a substitute for an adequate marketing and sales effort. (*Source*)
- Prices should be lowered only when you can no longer justify the value of your offering in relation to your comparative set.
- Look for solutions that will increase your long-term profitability rather than a short-term sales pick-up.
- Regularly exercise scenarios where you aim to anticipate disruptive events, competitive threat, a change in your value chain, or new contractual terms and develop a plan as to how each of these would impact your price-volume dynamics.
- Keep in mind most people are unwilling to pay for things that are new to them. Determine what that means for your opening vs. generic positioning statements and your cost structure.
- Think of the strategic and tactical ways to create price discrimination for different channels and segments. Packaging provides numerous options to price for different pack sizes of the same basic item.
- Define your segments as accurately as possible. Remember, your segments might be different than the generic, horizontal ways most companies use to segment. Think of who benefits from your offering differently.
- Decide how your pricing structure helps your customers and consumers to make comparisons between the alternatives. (*Source*)
- Remember, premium pricing requires a substantial commitment and budget to justify a high[er] price.
- Instead of lowering the price, consider introducing less attractive alternatives.

Food for thought: Example of a pricing innovation

Brandless is a new ecommerce startup offering a wide assortment of household and food items, each at the price of $3. The idea behind Brandless is selling essentials and pantry items with its direct-to-consumer business model and $3 price point for every product it offers, with minimal branding and distribution spend.

It is reported that Brandless can offer its goods at 40 percent less than most national brands by eliminating some of the marketing, branding, and advertising costs. Brandless is tapping into a few of the most current and compelling trends such as the convenience-driven direct-to-consumer channel, value-driven purchase behaviors of the millennials, and a mission-driven messaging where it donates a meal to Feeding America for every Brandless order.

The success of such a model will heavily depend on whether the buyers believe they receive a good value, which in turn depends on the quality of their products. Otherwise, no-frills packaging alone will not be enough for Brandless to make it in the mass market - *even with $50M in investment capital.*

While there are mixed reviews about the quality and taste of its food products, the essential point to consider for food entrepreneurs is that a pricing strategy can be a source of innovation in and of itself. Brandless is a great example of a new model that is easy to differentiate from its comparative set and also easy to communicate to its buyers. The jury is still out on whether or not it can execute a market play where most consumer purchase decisions benefit from established brand promises of the competing products.

Metrics and validation

Here are some best practices around determining the metrics and validation of your pricing strategy:

Metrics

— Identify your key profitability drivers per channel and per segment.
— Decide how you will track profitability, average revenue, average account value, and loyalty etc. at segment level
— Select the periodic timeline for your product lifecycle, competitive space, and consumer base to adjust your prices.
— Determine the milestones and a calendar for reviewing your prices.

Validation

— What data do you need to know to ensure your pricing window is right?
— How big is your sample group? Do they truly reflect your customers across your segments?
— What conflicting pricing signals did you get during your trials?
— Are your early sales numbers as anticipated or different?
— In what other ways can you test your prices?

Questions for the canvas

Q1. How will you test and validate your pricing against competitive pricing position? How will you know that your pricing is right?

Q2. What is your metric for sales effectiveness?

Q3. Do you have any considerations that impact your sales cycle and therefore any potential product losses?

Q4. How will you track and share order management and sales data with channel partners?

Q5. In what ways can you influence repurchase and loyalty behaviors? What data do you need for that?

Chapter 5: Cost Structure

Cost structure

Food entrepreneurs must be able to quickly scenario-test the impact of any strategic and tactical move on their margins. However, they lack the costing models to do so. An effective cost model should include:

1. All of the inputs such as the ingredients, labor, rent, packaging, distribution, and channel costs
2. The different gross margins per channel
3. Built-in sales scenarios to test the margins

One of the most difficult aspects of getting your cost structure right is to factor in step changes of scale-up and scale- down. For example, if you're scaling from $1M to $4M in revenue, it will likely have a negative impact on your cash flow. Therefore, plan for each scale factor to revise your model and ensure your model can accommodate scenario testing.

Also keep in mind that all scale and growth must be accompanied by a marketing and promotion plan. Promotions need to be margin-neutral to the retailer.

"If you change one lever, the whole thing changes therefore, you must have a plug and play model to scenario test."

–Sarah Arnold

Questions for the canvas

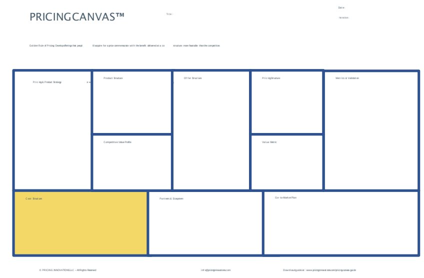
Q1. Is your sales model through a distributor, retail broker or both?

Q2. What are the reasons behind scaling?

Q3. What are the milestones of your scale options in your product, distribution, channel, packaging, marketing, and brokerage costs?

Q4. What are the implications of your brand promise and packaging on your cost structure? For example, if your brand promise is authenticity and you're choosing glass packaging, have you factored in the differential cost of glass packaging over the alternatives?

Sample break-even price calculation



Cost based pricing: Retail price is derived from the total cost of manufacturing or production. Markup values are applied as a percentatge at each level in the chain.

3	**Option A**		
4	Working with a distributor		
5	Per item	Inputs	$
6	Manufacturing cost	$1.00	
7	Co-manufacturing margin	20%	$0.20
8	**Price to distributor**	$1.20	
9	Distribution cost	25%	$0.30
10	**Price to retailer**	$1.50	
11	Retailer margin	40%	$0.60
12	**Break-even price**	$2.10	
14	**Option B**		
15	Working with a broker		
16		Inputs	$
17	Manufacturing cost	$1.00	
18	Co-manufacturing margin	20%	$0.20
19	**Price to broker**	$1.20	
20	Broker margin	10%	$0.12
21	**Price to retailer**	$1.32	
22	Retailer margin	40%	$0.53
23	**Break-even Price**	$1.85	
25	**Option C**		
26	Desired wholesale margin	60%	
27		Inputs	$
28	Manufacturing cost	$2.00	
29	Co-manufacturing margin	35%	$ 1.08
30	**Price to broker**	$3.08	
31	Broker margin	5%	
32	**Price to distributor**	$3.50	$ 1.50
33	Distribution cost	30%	$1.50
34	**Break-even Price**	$10.00	
35	Retailer margin	50%	$5.00

Cost based pricing: Retail price is derived from the total cost of manufacturing or production. Markup values are applied as a percentatge at each level in the chain.

Ro			
3	**Option A**	**Column C**	**Column D**
4	Working with a distributor		
5	Per item	Inputs	$
6	Manufacturing cost	1	
7	Co-manufacturing margin	0.2	=C6*C7
8	**Price to distributor**	=C6*(1+C7)	
9	Distribution cost	0.25	=C8*C9
10	**Price to retailer**	=C8*(1+C9)	
11	Retailer margin	0.4	=C10*C11
12	**Break-even price**	=C10*(1+C11)	
13			
14	**Option B**		
15	Working with a broker		
16		Inputs	$
17	Manufacturing cost	1	
18	Co-manufacturing margin	0.2	=C17*C18
19	**Price to broker**	=C17*(1+C18)	
20	Broker margin	0.1	=C19*C20
21	**Price to retailer**	=C19*(1+C20)	
22	Retailer margin	0.4	=C21*C22
23	**Break-even Price**	=C21*(1+C22)	
24			
25	**Option C**		
26	Desired wholesale margin	0.6	
27		Inputs	$
28	Manufacturing cost	2	
29	Co-manufacturing margin	0.35	=C28/(1-C29)-C28
30	**Price to broker**	=C28/(1-C29)	
31	Broker margin	0.05	
32	**Price to distributor**	=C28/(1-C26)-D32	=C28/(1-C26)*C33
	36		

33	Distribution cost	0.3	=C28/(1-C26)*C33
34	**Break-even Price**	=C28/(1-C26)/(1-C	
35	Retailer margin	0.5	=C34*C35
36			

Sample basic costing calculation

	Cost item	Unit	
	Per unit materials cost	**Column C**	**Column D**
3	Total materials cost per batch	USD	$ 8.50
4	Time required per batch	Minutes	28
5	Hourly production labor rate	USD/hour	$ 12.50
6	Average recipe yield	Number	80
7	Average recipe loss	%	10%
8	Number of items per recipe	Number	72
9	Per item cost	USD	$ 0.20
10	Total items in each package	Number	24
11	Units per batch	Number	3
12	Total materials cost per unit	USD	$ 1.59
13	**Per unit packaging cost**		
14	Packaging material cost per item	USD	$ 0.02
15	Outer packaging material cost per unit	USD	$ 0.45
16	Additional packaging material cost per unit (branding, stickers, labels, decorative)	USD	$ 0.15
17	Time required per package	Minutes	1.5
18	Hourly packaging labor rate	USD/hour	$ 10.75
19	Total packaging cost per unit	USD	$ 1.35
20	**Total unit production cost**	**USD**	**$ 2.94**
21			
22	**Per unit channel costs**		
23	Target wholesale margin	%	60%
24	Target wholesale price	USD	$ 7.35
25			
26	Private label/co-packer share	%	35%
27	Private label/co-packer share cost	USD	$ 1.58
28	Private label/co-packer price	USD	$ 4.53
29			
30	Distributor share	%	30%
31	Distributor margin	USD	$ 2.21
32	Price to distibutor	USD	$ 5.15
33			

Q1. Are your yield losses consistent or changing intermittently? What would it take to get your yield losses under control?

Q2. Do you have any environmental, seasonal, regulatory costs? Did you factor those in?

Q3. What are the implications of different packaging options such as number of pieces, on your cost structure?

Q4. What are the implications of different packaging options such as serving sizes on your margins?

Q5. Do you have any other types of costs (such as finders' fees etc.) or under-reported discounts?

34	Broker commission	%		5%
35	Broker cost	USD	$	0.37
36				
37	Targeted retail margin	%		50%
38	Targeted retail price	USD	$	14.71
39				
40	Upper limit of the price	USD	$	9.99
41	Wholesale price	USD	$	5.00
42	Total unit production cost	USD	$	2.00

Sample basic costing calculation

	Cost item	Unit	
	Per unit materials cost	**Column C**	**Column D**
3	Total materials cost per batch	USD	8.5
4	Time required per batch	Minutes	28
5	Hourly production labor rate	USD/hour	12.5
6	Average recipe yield	Number	80
7	Average recipe loss	%	0.1
8	Number of items per recipe	Number	=ROUNDDOWN(D6*(1-D7),0)
9	Per item cost	USD	=(D3/D8)+(D5*D4/60/D8)
10	Total items in each package	Number	24
11	Units per batch	Number	=D8/D10
12	Total materials cost per unit	USD	=D9*D10/D11
13	**Per unit packaging cost**		
14	Packaging material cost per item	USD	0.02
15	Outer packaging material cost per unit	USD	0.45
16	Additional packaging material cost per unit (branding, stickers, labels, decorative)	USD	0.15
17	Time required per package	Minutes	1.5
18	Hourly packaging labor rate	USD/hour	10.75
19	Total packaging cost per unit	USD	=D14*D10+D15+D16+D18*D17/60
20	**Total unit production cost**	**USD**	**=D19+D12**
21			
22	**Per unit channel costs**		
23	Target wholesale margin	%	0.6
24	Target wholesale price	USD	=D20/(1-D23)
25			
26	Private label/co-packer share	%	0.35
27	Private label/co-packer share cost	USD	=D28-D20
28	Private label/co-packer price	USD	=D20/(1-D26)
29			
30	Distributor share	%	0.3
31	Distributor margin	USD	=D24*D30
32	Price to distributor	USD	=D24-D31
33			
34	Broker commission	%	0.05
35	Broker cost	USD	=D24*0.05
36			
37	Targeted retail margin	%	0.5
38	Targeted retail price	USD	=D24/(1-D37)
39			
40	Upper limit of the price	USD	9.99
41	Wholesale price	USD	=D40*(1-D37)

42	Total unit production cost	USD	=D41*(1-D23)

Partners and distribution

If you're selling through multiple channel partners, you must ensure that each consumer receives a similar experience with your products regardless of the channel partner through which they purchased it. A fragmented consumer experience will hurt your brand and your pricing position.

Another important consideration is the integration of inventory, order management, and sales data with your partners and distributors. From this data, you can gain a holistic and timely view of the overall business activities ultimately supporting the delivery of omni-channel consumer interactions.

Lastly, consider the following factors for your contract negotiations as each might potentially impact your cost structure and power to negotiate: **small order quantities, customized delivery, changes in delivery requirements, levels of presales and post-sales support, required inventory levels, payment terms, electronic vs. manual processing, and data sharing.**

It's very difficult for a small, nascent brand to break into a new category. We look for distributions with smaller chains first. Big Box Retailers would not be willing to take the risk unless the offering is exceptionally unique, with clear differentiation, and successfully delivered brand promise."

-KeithWolter

Questions for the canvas **Q1.** How will you ensure the consumers receive a consistent experience and the right offering across partners and touch points?

Q2. Does your partnership impose changes to your cost structures across regions or customers?

Q3. Will you have access to regular analysis of sales data to identify cross-sell/upsell opportunities?

Q4. Do you have any geographic pricing constraints such as free on board (FOB)?

Q5. Do you have any opportunities for bundling?

Q6. What types of partners do you wish you had? Where are they? Who are they?

Chapter 6: Getting into Big Box Retailers

Gettingintobigboxretailers

“Do not focus just on your value proposition to the consumer; you must have a separate value proposition for the buyer. Why should your product be included in my assortment? You should be able to do better than what I can do just by the process of elimination. See my set, see my colors, see my labels, and see my shelves. Then figure out how you’ll pop-out.” – ***Keith Wolter***

Power of negotiations: Buyers have a lot of discretion for selecting and planning their assortments. Buyers’ feedback is critical as best outcomes in retail happen if your outcomes are aligned with your buyer’s outcomes.

Positioning: Decide your positioning at three different stages: Opening, mid-tier or generic (the mass appeal)

Target audience: Know your channel’s audience. For example, if your channel partner’s primary audience is middle-aged white women and your primary target audience is African American men, that particular channel partner may not be optimal.

Category: Know your category and the trends within your category well. You must be able to tell your buyer something that they don’t know.

Story: Explain, in a convincing way, what is remarkable about your offering.

Scale: Achieve operational and financial sustainability to supply at least 50 stores

Line reviews: Be prepared for line reviews twice per year. You can pitch to be in the assortment two times ayear.

Claims: Most buyers don’t ask for validation, but in the case of a recall, you are responsible for all costs and claims.

Data: Prepare the relevant data in an easy to visualize format for past distribution, volume, manufacturing and distribution capacity, emerging trends from your category, your own trends since launch, primary insights, and consumer feedback to date. Keep in mind, most buyers have access to the Nielsen data.

Grace period: Buyers give 8-10 weeks from initial product placement for a price to settle. The grace period also includes the external and marketing push.

Fees: Ask your buyer and broker about the slotting fees, promotional fees, and fees for special assets and the end cap.

Primary success metric: $ or units sold per week per store.

Broker insights from the Bluebird Group

Benefits of working with a broker: In general, a good broker relationship is the key to set-up meetings with big-box retailer buyers. In addition, brokers can also help with your distribution, promotional, and go-to-market strategy as well as position your brand for the assortment strategy of the retail category. They usually support small businesses in teams of account executives, and generally charge five percent of the gross sales plus a retainer for the agreed-upon service levels.

Choosing a broker: There are certain advantages of working with junior brokers, especially for small brands and start-ups. Small business owners and entrepreneurs must make sure that the brokers will give them the time and dedication they need. It's important to ask your broker candidates about their availability and dedication to your business openly and directly. Other questions should include: how many accounts they currently have and manage, how well the broker knows their category and what gaps they might have in their current portfolio or assortment.

Essential input for your broker: While brokers appreciate how busy a continuously multi-tasking small business is, it is essential to communicate with your broker in a timely fashion. Brokers can tell when you're struggling to put together the input they need from you. At a minimum, prepare the following types of input to catch the attention of your top brokerage firms:

- A one-pager that easily explains your value proposition to the consumer, buyer, and the broker
- 3-4 unique and incremental statements about what sets you apart in your category
- Early success stories and examples such as units and revenues from Amazon or other channels
- How you will leverage the relationships your broker might have
- A summary snapshot about the financial health of your business
- Product samples
- A summary of key learnings to date and how they impacted your business plan
- A demonstration of your category literacy with specific terminology and strategic fit

Potential pitfalls of knowledge: Consider the following when you're pitching your business:

- Demonstrate a good sense of your data
- Prepare a specific sales story for each time you introduce a new distribution into the mix
- Make sure your performance indicators and growth trajectory are consistent with your success story
- Get a handle on your cost of shipments both as total cost and as a percent of sales
- Know your funding requirements and lead times for various milestones of scale-up
- Understand which levers to pull when key aspects of your profit and loss (P&L) are challenged

Glossary

Offering: The term “offering” means the ways in which you make your product available for purchase in the market. In this context, an offering is not only about your product to be consumed but also the overall unit that people acquire (the packaging, messaging, and the quantity etc.) at each of your channels. For example, your offering in your Costco channel will likely be different than your offering at a farmers’ market although your “product” might be the same.

Segments: While most consumer packaged goods companies define their segments demographically, here we define segments as a distinct group of consumers that purchase, consume, and benefit from your offering differently. For example, consumers who primarily gift products in this category could make up a distinctly different segment. Alternatively, different occasions for consumption could define different types of consumers – thus a different segment.

Product line extension: A product line extension is the use of an established product brand name for a new item in the same product category. Line extensions occur when a company introduces additional items in the same product category under the same brand and can include new flavors, forms, colors, added ingredients, package sizes, etc. Source

Channel: A distribution channel is a chain of businesses or intermediaries through which a good or service passes until it reaches the end consumer. It can include wholesalers, retailers, distributors and even the internet itself. Source

Category: Category management is a retailing and purchasing concept in which the range of products purchased by a business organization or sold by a retailer is broken down into discrete groups of similar or related products; these groups are known as product categories (examples of water categories might be: sparkling, enhanced, and still). It is a systematic, disciplined approach to managing a product category as a strategic business unit. [Source]

Glossary

Go-to-market strategy: A go-to-market (GTM) strategy is an action plan that specifies how a company will reach customers and achieve competitive advantage. The purpose of a GTM strategy is to provide a blueprint for delivering a product or service to the end customer, taking into account such factors as pricing and distribution. Source

Product line review: A product line review (PLR) is a presentation made at the home office of a big box retailer. During the PLR, the retailer assesses whether or not your product(s) are a match for their merchandising goals, pricing, and what they perceive to be the key components for a successful assortment in an ever-changing market. Source

End cap: An end cap is a rack or counter at the end of a store aisle used to display promotional or sale items. Source

Watch our recorded webinar

Our food pricing and go-to-market webinar is full of useful resources and tips for your business success.

Free to reach Pricing Innovations with any questions about this guidebook:
info@pricinginnovations.com

Watch AURI pricing webinar

Sweet thanks

Sarah Arnold

Sarah has 25 years of experience in retail, mostly at Target. Her final role was to lead Target's Presentation Team. She also played a role in Target's transition into grocery. She describes herself as a foodie. Currently, Sarah is a consultant helping food entrepreneurs with strategic and operational frameworks for scale and growth.

Dina Goodman

Dina has worked at Target as a Buyer for five years and managed the development of long-term enterprise growth strategies. She just recently transitioned to 3M to lead the Command Brand and Marketing Strategy.

Keith Wolter

Keith has worked at Target as a Buyer for four years, most recently in beverages category. Keith is an expert in merchandise assortment planning and forecasting, assortment development, strategic negotiations, and customer relationship management. His current category includes water, sparkling water, juices, juice boxes, and enhanced water.

Brett Brohl

Brett is the Founder and Managing Director of The Syndicate Fund and the director of TechStars Next Food and Entrepreneur in Residence of TechStars Retail. Brett and his team find great founders and companies, then help them succeed.

Karly White

Karly is a Marketing Manager at General Mills with expansive experiences in achieving categorical growth in snacks, soups, and cereals, and most recently managing category strategy and innovation in cereals.

Rob Fugile

Rob is the Co-Founder and CEO of Nots! Snacks. Nots! Snacks Inc. launched in 2015 for the development of brand, product and intellectual property related to the expansion of clean label snacking. Designed for purposeful eaters and mindful munchers, the ingredients are gluten free, nut free, low sugar, and low sodium. They are in multi-regional distribution with several key initiatives in pipeline to expand product line and product attributes. Nots! Snacks claim to have achieved 300 percent growth year over year.

Travis Wells

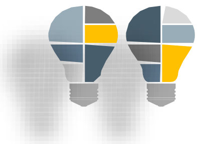
Travis is the Vice President of Sales at The Bluebird Group – a Minneapolis based retail brokerage firm. Travis has 15+ years experience in retail businesses. Prior to Bluebird, Travis worked as a Buyer at Target and in marketing functions of General Mills and Johnson & Johnson.

About Pricing Innovations

We're a pricing and monetization consultancy and the creators of **[The Pricing Canvas(TM).]** We help teams to price their new products and services, enhance their product-market alignment, and optimize their monetization strategy. What sets us apart is that we go beyond making pricing recommendations and inform all aspects of your go-to-market. We offer Rapid Pricing Assessments (R), pricing services, and monetization-as-a-service, and we are known for our methods that create transformative innovations in pricing and monetization.

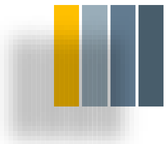
Our services

Pricing & Launching New Products

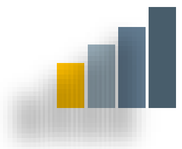


Pricing Multi-Tiered Offers & SaaS

Changing Monetization Models



Changing Prices & Pricing Structures



Monetizing Product Lifecycle

Whether you're looking to monetize your innovations or innovate your approach to monetization, we've got you covered. Are you ready begin your pricing innovation?

Sample Food Business Growth Plan

by SKA Consulting LLC

SKA Consulting

Pricing Strategy

Sarah Arnold, Sept 2017

The Perfect Formula

Plan
Set Priorities. Establish goals. Focus resources.

Measure
Measure results. Strengthen operations.

Adapt
React to change with speed & agility.

Succeed
Build a strong foundation. Execute flawlessly. Grow!

Pricing Strategy Requires Context

1. Define your brand and product positioning
2. Understand the competition - category and product specific competitive analysis by channel
3. Understand COGS (cost of goods sold)
4. Understand retail buyer financial expectations by channel
5. Define your product/category retail pricing hierarchy
6. Build a tops-down and bottoms-up financial plan
7. Build your product line, marketing and product execution roadmap

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Planning Process Overview

Planning Deliverables

STRATEGY, FINANCIAL PLANNING & PRODUCT LINE PLANNING PROCESS STEPS

	Q1	Q2	Q3	Q4	
1. Strategy Defined (1x per year)	X		X		OUTPUT:
A. RECAP WINS & OPPORTUNITIES FROM PAST SEASON(S) B. INITIAL COMPETITIVE ANALYSIS C. INITIAL MARKET AND TREND ANALYSIS					A. CAPABILITY/RESOURCE GAPS IDENTIFIED
2. Plan, Prioritize & Align Priorities, Resources & Initiatives (2 x's per year)	X	UPDATE AS NEEDED	X	UPDATE AS NEEDED	Output:
A. PAST PERFORMANCE ANALYSIS COMPLETED B. COMP SHOP/COMPETITIVE ANALYSIS COMPLETED C. MARKET & TREND RESEARCH COMPLETED					A. FINANCIAL GOALS ALLOCATED B. PRODUCT INNOVATION NEEDS IDENTIFIED
3. Product Line Planning (2 x's per year)	X	UPDATE AS NEEDED	X	UPDATE AS NEEDED	Output:
A. BUILD SALES & PROFIT MODEL B. FIRST PASS: FINANCIAL ROLL-UP C. FIRST PASS: CHANNEL ROADMAP D. FIRST PASS: PRODUCT LINE ROADMAP E. FIRST PASS MARKETING ROADMAP					A. PRODUCT LINE EXTENTSIONS/NEW PRODUCTS NEEDS IDENTIFIED B. RECIPE DEVELOPMENT NEEDS IDENTIFIED C. PACKAGING NEEDS IDENTIFIED D. PRODUCT COSTING FINALIZED E. IN-STORE MARKETING/IN-STORE PRESENTATION NEEDS IDENTIFIED
4. Finalize Financial Plans (2 x's per year)	X		X		Output:
A. SALES, EXPENSE AND RESOURCES ALLOCATED					A. FINACIAL GOALS FINALIZED
5. Forecast In-Season Performance Meeting (4+ x's per year)	X	UPDATE AS NEEDED	X	UPDATE AS NEEDED	Output:
A. MEASURE CURRENT FINANCIAL PERFORMANCE B. RECAP WINS & OPPORTUNITIES					A. REFORCAST/ADAPT FINANCIAL PROJECTIONS AS NEEDED B. ADAPT PRODUCT LINE ROADMAP AS NEEDED C. REFORCAST/ADAPT EXPENSE PROJECTIONS AS NEEDED D. ADJUST MARKETING ROADMAP AS NEEDED

Sample Food Business Growth Plan by Sarah Arnold

Strategic Objectives

Vision Statement (Purpose)	
Core Values	1. 2. 3. 4. 5.
10 Year Objective	
Marketing Strategy	PRODUCT DIFFERENTIATORS: 1. 2. 3. CUSTOMER PROM
3 Year Goal	DESCRIPTION OF FUTURE SUCCESS: 1. XX 2. XX 3. XX 4. XX 5. XX 6. XX 7. XX 8. XX 9. XX 10. XX SALES & MARGIN OBJECTIVES: $XX & $XX/XX%: 1. 2. 3. 4. 5. 6. 7. 8. 9. 10. Grand Total: $XX & $XX/XX%

Annual Action Plan

STRATEGIC PRIORITIES	
STRATEGIC PRIORITIES	
STRATEGIC PRIORITIES	
ONE YEAR PLAN	TIMING: XX/XXXX DESCRIPTION OF FUTURE SUCCESS: 1. XX 2. XX 3. XX 4. XX 5. XX SALES & MARGIN OBJECTIVES: $XX & $XX/XX%: 1. 2. 3. 4. 5. Grand Total: $XX & $XX/XX%
QUARTERLY DELIVERABLES	DESCRIPTION OF FUTURE SUCCESS: 1. XX 2. XX 3. XX 4. XX 5. XX SALES & MARGIN OBJECTIVES: $XX & $XX/XX%: 1. 2. 3. 4. 5. Grand Total: $XX & $XX/XX%
REQUIRED SOLUTIONS	ISSUE LIST: 1. 2. 3. 4.

Sample Food Business Growth Plan by Sarah Arnold

Quarterly Action Steps

STRATEGIC PRIORITIES	
STRATEGIC PRIORITIES	
STRATEGIC PRIORITIES	

QUARTERLY ACTION STEPS	DELIVERABLES:	OWNER	DUE DATE
	1. XX • XX • XX	1.	1.
	2. XX • XX • XX	2	2.

Annual Financial Plan

5 Year Financial View

[illegible]

Annual Channel Performance Plan

	TY Sales $	TY Sales $ % to Total	Plan Sales $	Plan Sales $ % to Total	LY Sales $	LY Sales $ % to Total	TY [illegible]	TY GM $ % to Total	Plan GM $	Plan GM $ % to Total	LY GM $	LY GM $ % to Total
Farmers' Markets	$-	#DIV/0!	$-	#DIV/0!	$-	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
Grocery Retailers	$-	#DIV/0!	$-	#DIV/0!	[illegible]	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
Specialty Stores	$-	#DIV/0!	$-	#DIV/0!	$	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
E-Commerce	$-	#DIV/0!	$-	[illegible]	$-	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
Corporate Gifting	$-	#DIV/0!	$-	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
Special Events	$-	#DIV/0!	[illegible]	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
Other	$-	#DIV/0!	[illegible]	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
Other	$-	[illegible]	[illegible]	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
Grand Total	[illegible]	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!

Costing Tools

Ingredient Costs (per unit)

Total Ingredient Costs	$3.67
Labor (Minutes to prepare 1 Batch)	35
Hourly Labor Rate	$11.50
Recipe Yield	24
Per Piece Costs	$0.43
Total Units/Items per Package	3
Total Ingredient Costs per Package	$1.30
Packaging Costs (per unit)	
Total Packaging Cost	[illegible]
Labor (Minutes Required per Packa[illegible]	[illegible]
Hourly Labor Rate	[illegible]
Total Packaging Cost	$0.70
TOTAL PRODUCT COST (per unit)	$2.00

Channel Margins

Wholesale Margin %	50%
Private Label/Co-Packer Margin %	35%
Distributor Margin %	[illegible]
Estimated Retailer Margin %	[illegible]
Broker Commission %	[illegible]

Per Unit Product Pricing

Wholesale Pr[illegible]	$4.00
Your $ [illegible]	$2.00
[illegible]/Co-Packer Price	$3.08
[illegible] from Private Label/Co-Packer	$1.08
[illegible] Price to Distributors	$2.80
Your $ Profit from Distributor Sales	$0.80
Your $ Profit from Distributor & Co-Packer	$(0.28)
Broker Commission	$0.20
Your $ Profit from Distributor, Co-Packer & Broker	$(0.48)
Your $ Profit after Broker Fees	$1.80
Suggested Retail Price	$6.67

End Price Analysis

Desired Retail Price	$7.99
Required Wholesale Price	$4.79
Required Product Cost	$2.40

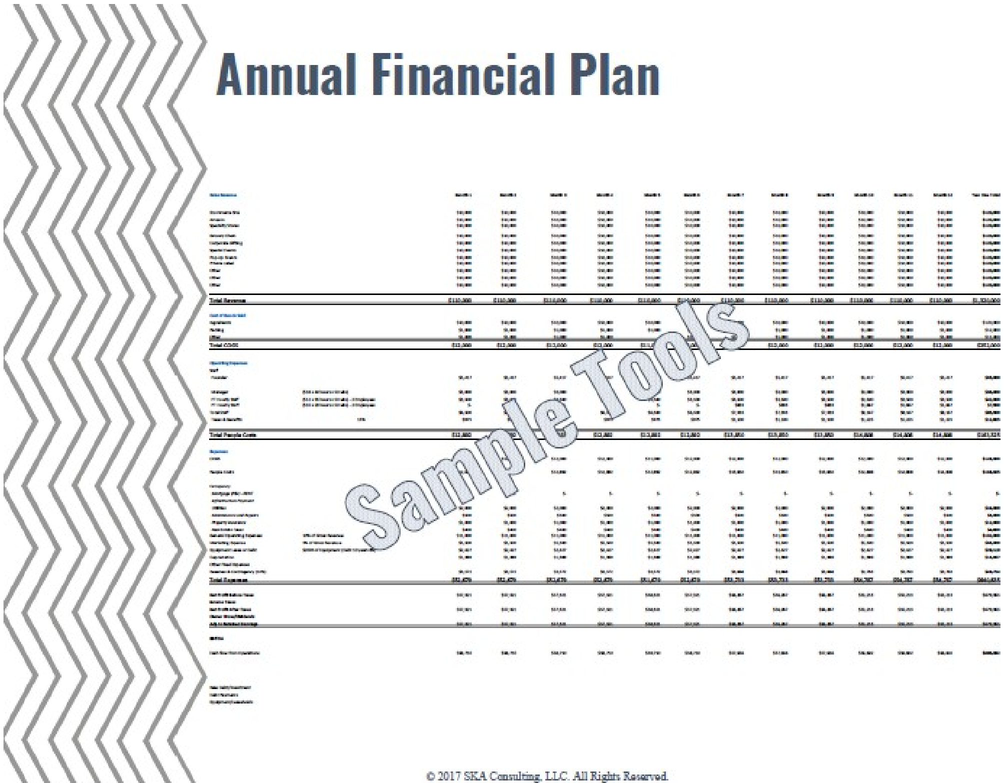
Monthly Financial Performance Tool

Grand Total

	TY Sales $	Plan Sales $	LY Sales $	TY/LY Sales $ % Change	TY Sales Units	LY Sales Units	TY/LY Sales Units % Change	Avg Retail TY	Avg Retail LY	TY COGS $	Plan COGS $	LY COGS $	TY/LY COGS $ % Change	TY GM %	Plan GM %	LY GM %	TY GM $	Plan GM $	LY GM $	TY/LY GM $ % Change
February	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
March	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
April	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
1st Quarter	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
May	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
June	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
July	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
2nd Quarter	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
Total Spring	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
August	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
September	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
October	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
3rd Quarter	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
November	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
December	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
January	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
4th Quarter	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
Total Fall	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
Total Year	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!

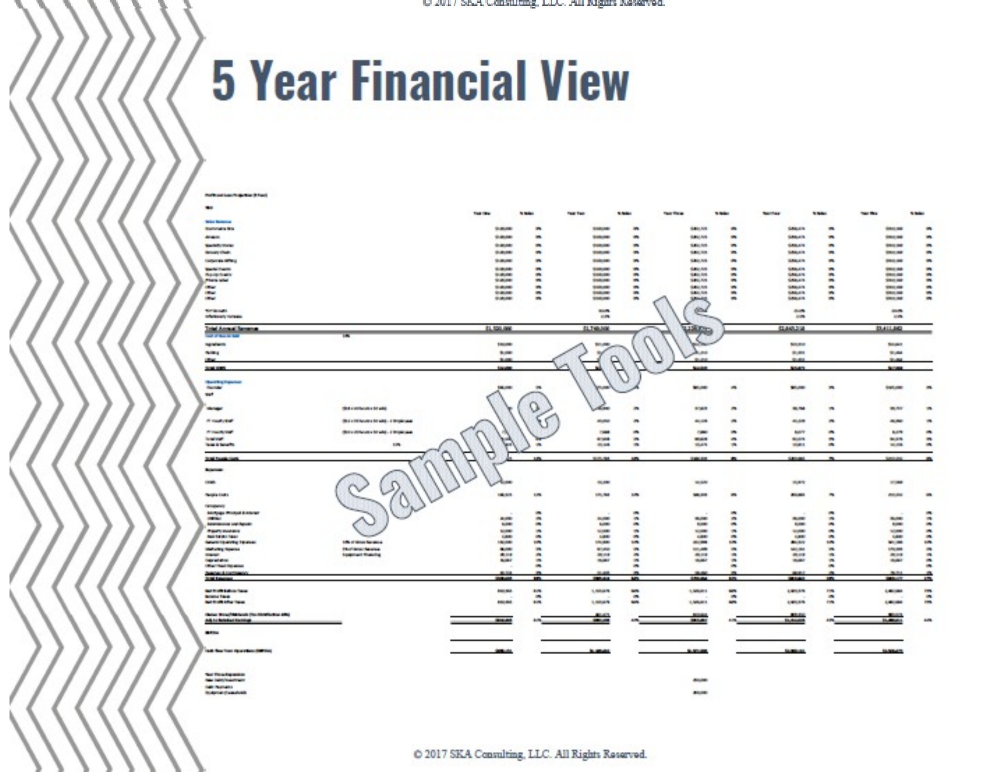
Grocery Retailers

	TY Sales $	Plan Sales $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] Units	Avg Retail TY	Avg Retail LY	TY COGS $	Plan COGS $	LY COGS $	TY/LY COGS $ Change	TY GM %	Plan GM %	LY GM %	TY GM $	Plan GM $	LY GM $	TY/LY GM $ Change
February				#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!
March				#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!
April				#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!
1st Quarter	$ -	$ -	[illegible]	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
May				#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!
June				#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!
July				#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!
2nd Quarter	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
Total Spring	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
August				#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!
September				#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!
October				#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!
3rd Quarter	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
November				#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!
December				#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!
January				#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!				#DIV/0!
4th Quarter	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
Total Fall	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!
Total Year	$ -	$ -	$ -	#DIV/0!	0	0	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	$ -	$ -	$ -	#DIV/0!



Annual Financial Plan

Sample Tools



5 Year Financial View

Sample Tools

Annual Channel Performance Plan

	TY Sales $	TY Sales $ % to Total	Plan Sales $	Plan Sales $ % to Total	LY Sales $	LY Sales $ % to Total	TY [illegible]	TY GM $ % to Total	Plan GM $	Plan GM $ % to Total	LY GM $	LY GM $ % to Total
Farmers' Markets	$-	#DIV/0!	$-	#DIV/0!	$-	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
Grocery Retailers	$-	#DIV/0!	$-	#DIV/0!	[illegible]	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
Specialty Stores	$-	#DIV/0!	$-	#DIV/0!	[illegible]	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
E-Commerce	$-	#DIV/0!	$-	[illegible]	$-	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
Corporate Gifting	$-	#DIV/0!	$-	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
Special Events	$-	#DIV/0!	[illegible]	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
Other	$-	#DIV/0!	[illegible]	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
Other	$-	[illegible]	[illegible]	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!
Grand Total	[illegible]	[illegible]	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!	$-	#DIV/0!

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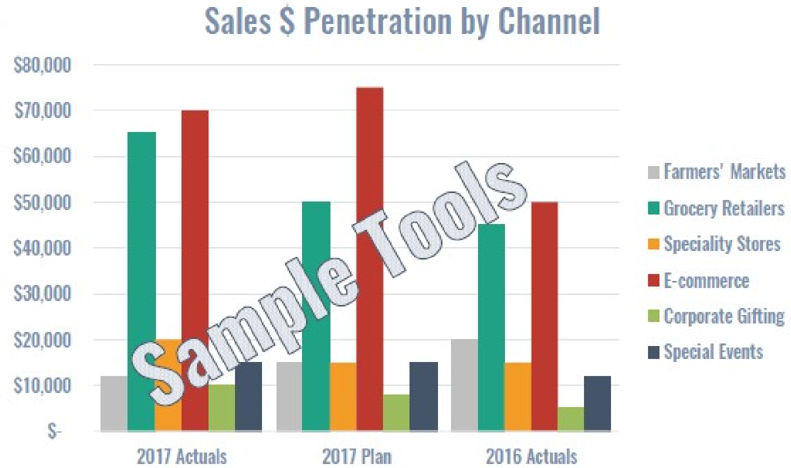

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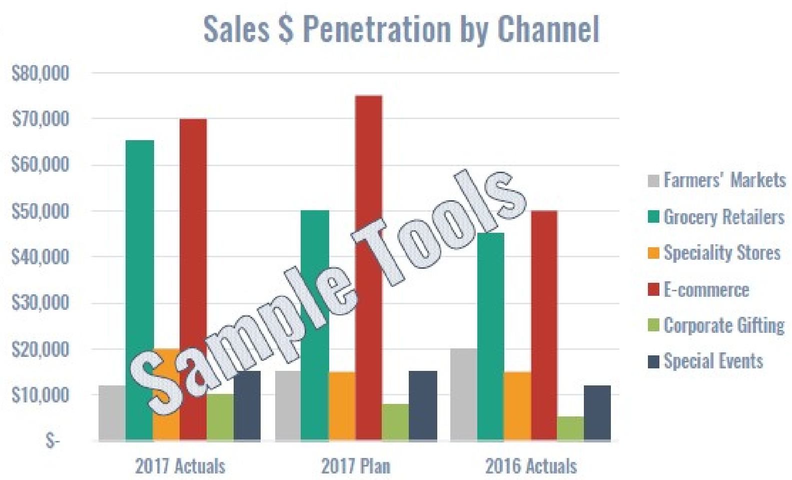
Product Line Roadmap

Assortment Plan

	2018 Set Dates												2019 Set Dates	
Customer Mindset	Winter		Spring		Summer		Back to School		Fall		Holiday		Winter	
	January	February	March	April	May	June	July	August	September	October	November	December	January	February
Assortment #1			SET WK 1	X	X	X	[illegible]	[illegible]	SET WK 1	X	X	X	X	X
Assortment #2			SET WK 1	X	X	X	[illegible]	[illegible]	SET WK 1	X	X	X	X	X
Assortment #3	X	X	X	X	X	X	X	[illegible]	X	X	X	X	X	X
Assortment #4	X	X	X	X	[illegible]	[illegible]	[illegible]	X	X	X	X	X	X	X
Assortment #5														
Gifting #1 - EASTER														
Gifting #2 - HOLLOWEEN 1									X	X				
Gifting #3 - HOLLOWEEN 2									X	X				
Gifting #4 - HOLIDAY 1											X	X	X	X
Gifting #5 - HOLIDAY 2											X	X	X	X
Seasonal #1														
Seasonal #2														
Seasonal #3														
Seasonal #4														
Seasonal #5														
Pop-Up Event #1														
Pop-Up Event #2														
Pop-Up Event #3														



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Measurement Framework

Strategic Objectives	Profitable Sales		Brand Building		Customer Loyalty	
KPIs	Financial Performance	Customer Base	New Customers Acquisition	Incre[illegible]	Customer Engagement	Customer Retention
Metrics	YTD Sales	Return Rat[illegible]	[illegible]	# of Followers	Customer Satisfaction	# of Repeat Customers
	YTD G[illegible]	[illegible] Unique Users	# of New Customer Leads	Website Visits	# of Video Views	Time on Site/Time per Page
	Average Transaction Size	Customer Lifetime Value	# of New Customer Bookings	xx	# of Blog Hits	Email Subscription Rate
	Average Retail	xx	Conversion Rate	xx	# of Customer Comments, Reviews	xx