



GROW NORTH

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From Commercial Kitchen to Co-Man: What to do to Scale Successfully

foodops

Are you
ready for the
next steps?

- It's the right time
 - Strong Sales
 - \$1M in Revenue
 - Cash Flow
 - 3-4 Months of Operating Expenses
 - Projected Growth Beyond Current Capabilities
 - Focus on Brand
- Why you shouldn't take this step
 - Not My Strong Suit
 - Don't Have Time
 - This Is Easier

Getting Prepared

- Get it out there
 - NDA - First Things First
 - My Product - What is Your Offering?
 - How Do I Currently Make It
 - Timeline
 - Expected Volume
- What to Expect
 - Feasibility / Plant Trial
 - Scale Up / Commercialization
 - Production

Getting Prepared

- How Does It Scale
 - Capabilities - Process / Equipment Match
 - How Automated / How Manual Is It?
 - CAPEX?
 - Packaging Requirements
 - Extra 'Marketing'
 - It Doesn't Keep Its Authenticity
 - Shelf Life
 - Testing
 - Where does it go?
- Evaluating the Plant
 - Food Safety / Food Defense
 - HACCP Plan
 - Jim's Rule of Partnership
 - Plan To Be There (Often)
 - Have Support There



Getting Prepared

- The Duck (What You Don't See Underwater)
 - Responsibilities
 - Dock / Warehouse
 - Quality
 - Procurement / Logistics
 - Production
 - Accounting
 - R&D / Food Science
 - Leadership Team
 - Coordination
 - Get ready, Get Spec, Go!
 - Who orders what (Ingredients/Packaging)?
 - Supplier Approval Program + COAs
 - Plant Testing / Product Testing
 - Talk Through / Walk Through Rehearsal
 - Inbound
 - Processing / Packaging
 - Outbound - Can you leverage transportation?

Feasibility / Scale Up

- Plan, What If, Plan Again
 - Have Alternate Plans
 - Be Flexible
 - Leverage Their Expertise
 - Don't be Afraid To Communicate
 - Pre-Production Meeting
- Reaffirm the Plan With The Plant
 - Sourcing
 - Throughput
 - Production Cycle
 - Tolling
 - Warehouse, Distribution and Fulfillment
- Clear Next Steps - Post Production Meeting
 - Clarify Next Steps and Timeline Expectations
 - Another Trial Needed or Can We Begin Production?
 - Plan Initial and Follow Up Fill
 - Submit POs to Solidify Scheduling

Tolling

Tolling = Labor + Overhead + Profit Margin

- Labor - The cost of all direct labor who are processing/packaging your product
- Overhead - The cost to operate the manufacturing facility (equipment, safety/quality systems, utilities, etc)
- Profit Margin - The percentage of profit the co-man charges above covering their labor and overhead costs to make your product

* Always request basic tolling and remove raw material and packaging cost. This will give you an apples to apples comparison when evaluating more than one co-man

The Manufacturing Service Agreement

- Products must be produced to the specifications
- Must produce to at least FMISA
- Define lead times
- Define MOQ's
- To address Volumes you will provide a 90 day forecast in lieu of a volume commitment
- You own all formulas
 - Expect to pay for their R&D services, otherwise they may have claim to your formulas
- You have the right to refuse the product within 14 days if the product doesn't meet specifications
- Must document all of their certifications that you are counting on.
- Tolling fees well defined
- Payment terms defined
- Terminations defined
- NDA
- Assignability if you sell your company
- Lawyer stuff like Indemnification and Insurance.

Closing Comments

- Thank you for attending
- Slides can be made available for you
- Contact Jim/John if you have questions

