



# Comparing Entrepreneurial Solutions to Local Food Distribution

MBA 549 Supply Chain Practicum

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## **Executive Summary**

### **Overview**

Farmers' Collective is a small-scale distributor that operates as both a wholesale restaurant distribution business and a community supported agriculture market (CSA). All products come from farms within the immediate area around the triangle and so all products can be considered local. Farmers' Collective customers are consumers that buy into the CSA market and restaurants.

Farmers' Collective would like to expand to increase its revenue. The company currently only has a limited distribution footprint with limited assets to go beyond this initial area. The company also lacks a sufficient growth plan on how to achieve these profit objectives.

Our project consisted of two parts: 1) Adapt a previously developed model to analyze potential growth alternatives and the requirements to reach potential revenue targets. 2) Conduct initial market analysis to determine revenue potential in new areas.

### **Approach**

- Our team began by working with the client to understand their business. We did this by mapping out their cost and revenue sources and by building a process flow of the restaurant and CSA businesses. This helped us determine how the model would need to operate and more specifically, what cost and revenue factors would need to be a part of the model. We also laid out the three business opportunities: status quo, expanding to a new city with only one hub, and expanding to a new city with two hubs (one in the original city and one in the new city)
- We then began developing the model using what we knew about the business. The client provided our team with a partial model they had developed and we used some attributes in our initial draft. At the beginning, we felt that a monthly cost and revenue breakdown would be helpful in incorporating seasonal differences. This was determined to not be what the client had intended so we reverted back to building directly off the partial model provided at the beginning.
- As we were developing the model, we also began to research potential customers. Our team used My Google Maps and restaurant menus to develop a map of current and potential customers that would purchase local products. This helped us determine potential routes and distances so that we could develop a more accurate analysis.
- Our final model includes four sheets for each business opportunity with one aggregation sheet. The model provides both a static business analysis with the projected and actual values on one sheet and a five year revenue projection on another sheet. The model also includes some business metrics that the client had included in the original model and some that we felt were important for the client to understand their business.

### **Outcomes**

After completing the model, our team ran some preliminary scenarios based off the three business opportunities detailed above and came up with this conclusion: After an initial capital expenditure to set up another point of distribution, the lower variable expenses and constant presence in the market allows for further growth over not expanding to the market, and distributing from another area in the region. Overall, our team has developed a model that will prove useful in the continued growth of Farmers' Collective.