



# 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

