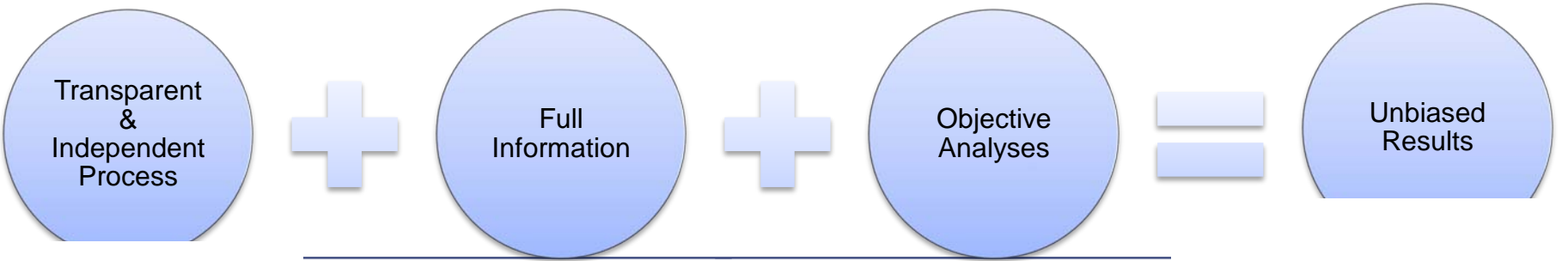
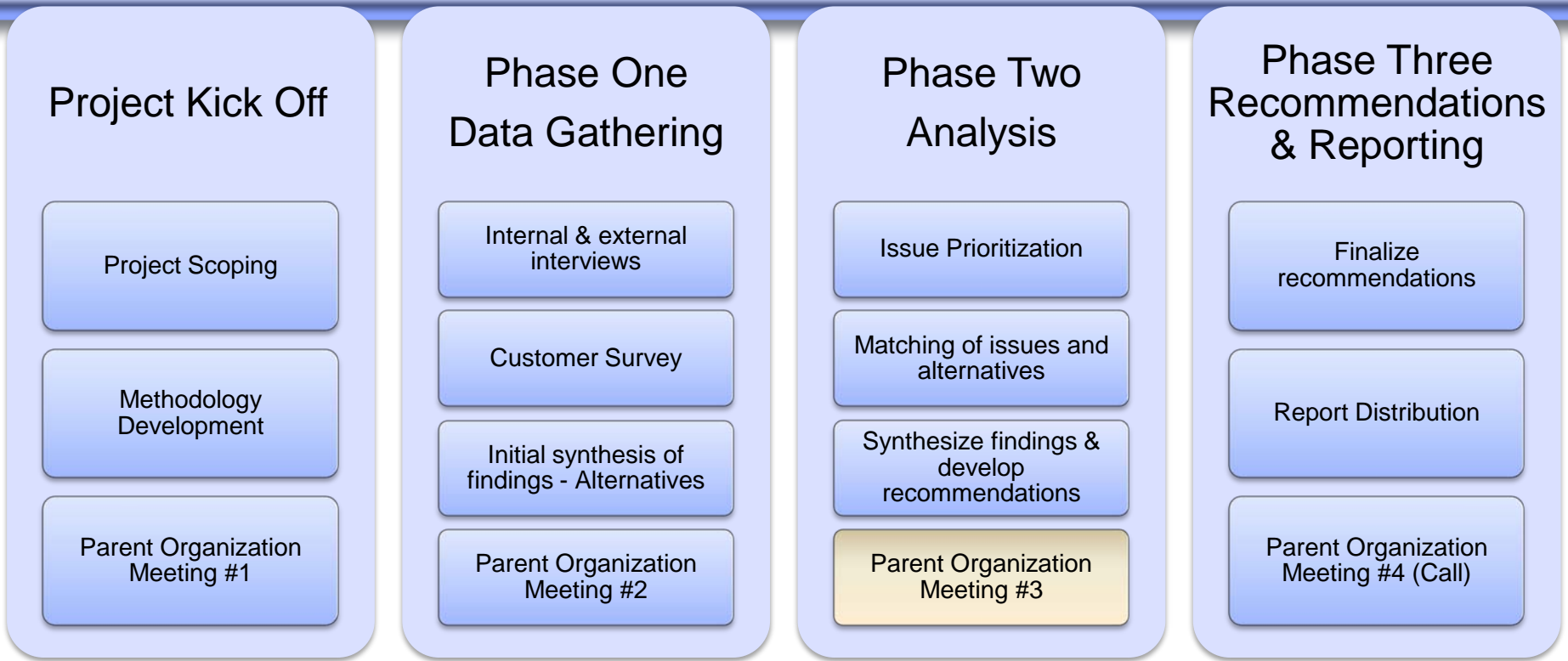


Social Enterprise Expansion Feasibility Assessment

Parent Organization Review
of Consultant Recommendations
September, 2008

The proposed approach will produce deliberate and considered recommendations



Discussion Agenda

Scope, Approach & Schedule

- Research Findings
- Analysis & Recommendations
- Next Steps

Objectives of this Project

- Identify feasibility criteria that are in alignment with Social Enterprise's objectives.
- Identify, understand and quantify the potential benefits that would be realized and the risks and concerns inherent with two different options:
 1. Status quo – continue operations under the current business model;
 2. Full expansion – larger and better equipped production facility and new product offerings.
- Provide a high-level assessment of the issues associated pursuing a storefront space as a transitional measure.
- Examine the economic feasibility of the proposed venture, include assisted economic models, key financial indicators, and sensitivities.

Objectives of this Project

- Determine and describe the market indicators that will direct Social Enterprise when and if it is time to actively pursue this initiative.
- Conduct an analysis to assess the feasibility of the different options and identify the key issues that would have to be managed.
- Identify the potential impact on Social Enterprise participants.

Consultant's Responsibilities

Consultant In Scope

- Develop criteria and methodology for feasibility determination
- Assign fact finding research homework to the social enterprise staff
- Coordinate and complete interviews with internal stakeholders and customers
- Complete research for assessment of competitive landscape
- Work with and facilitate social enterprise staff involvement
- Conduct feasibility evaluation, including high level economic assessment
- Recommendations for next steps

Consultant Out of Scope

- Detailed implementation plan
- Detailed economic modeling
- Research that has been assigned to social enterprise staff

Parent Organization Role

Parent Organization

- Provide guidance and feedback on project scope and goals
- Serve as the voice for the Parent Organization
- Receive findings and ensure they adhere to the scope of the work
- Serve as a sounding board for new ideas and findings as they emerge
- Provide feedback and information in a timely basis

Social Enterprise Staff

- Make project decisions as needed in a timely manner in between Parent Organization Meetings
- Schedule meetings with internal stakeholders
- Qualify at least 20 social enterprise stakeholders to participate in interviewing
- Complete assigned fact finding research to be used for economic modeling

Parent Organization

Committee members

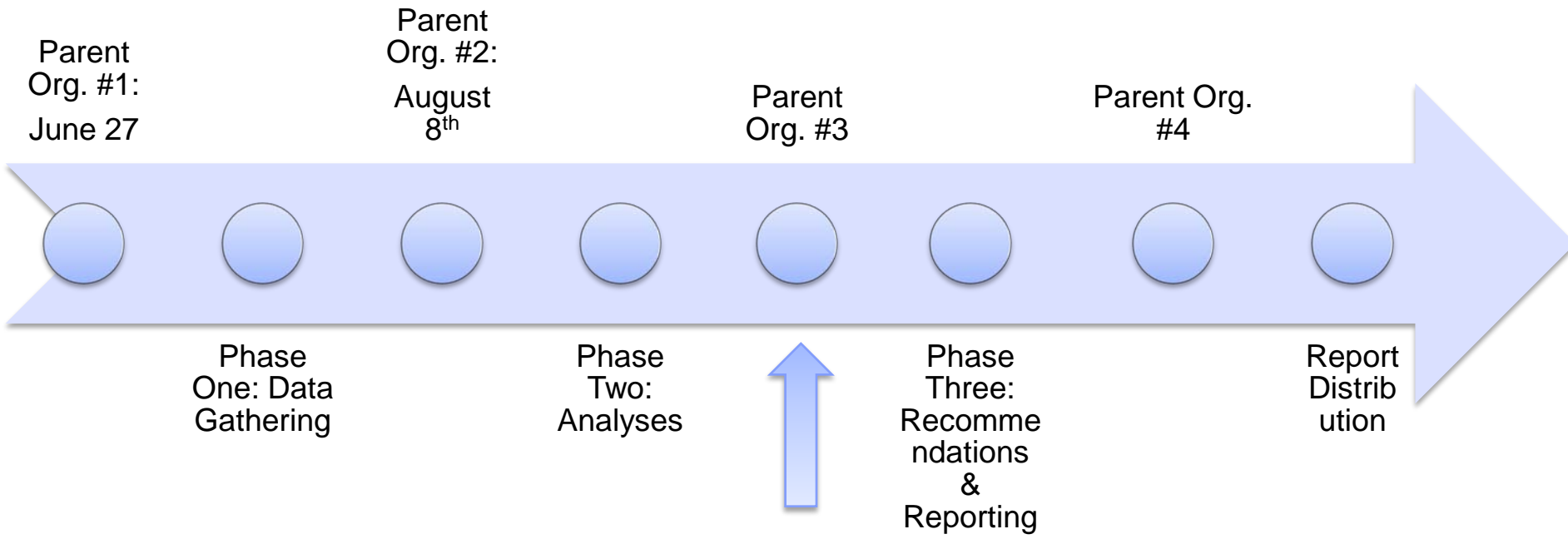
- Name
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Committee Members

- Name
- Name
- Name
- Name
- Name

Project Timeline

Guiding principle ‘done properly’ as opposed to ‘done quickly’.



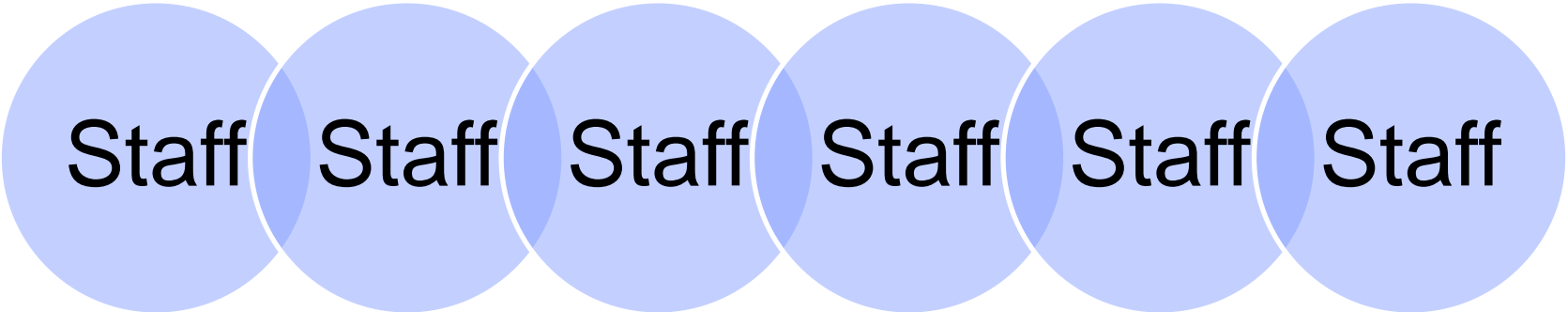
Discussion Agenda

- **Scope, Approach & Schedule**

Research Findings

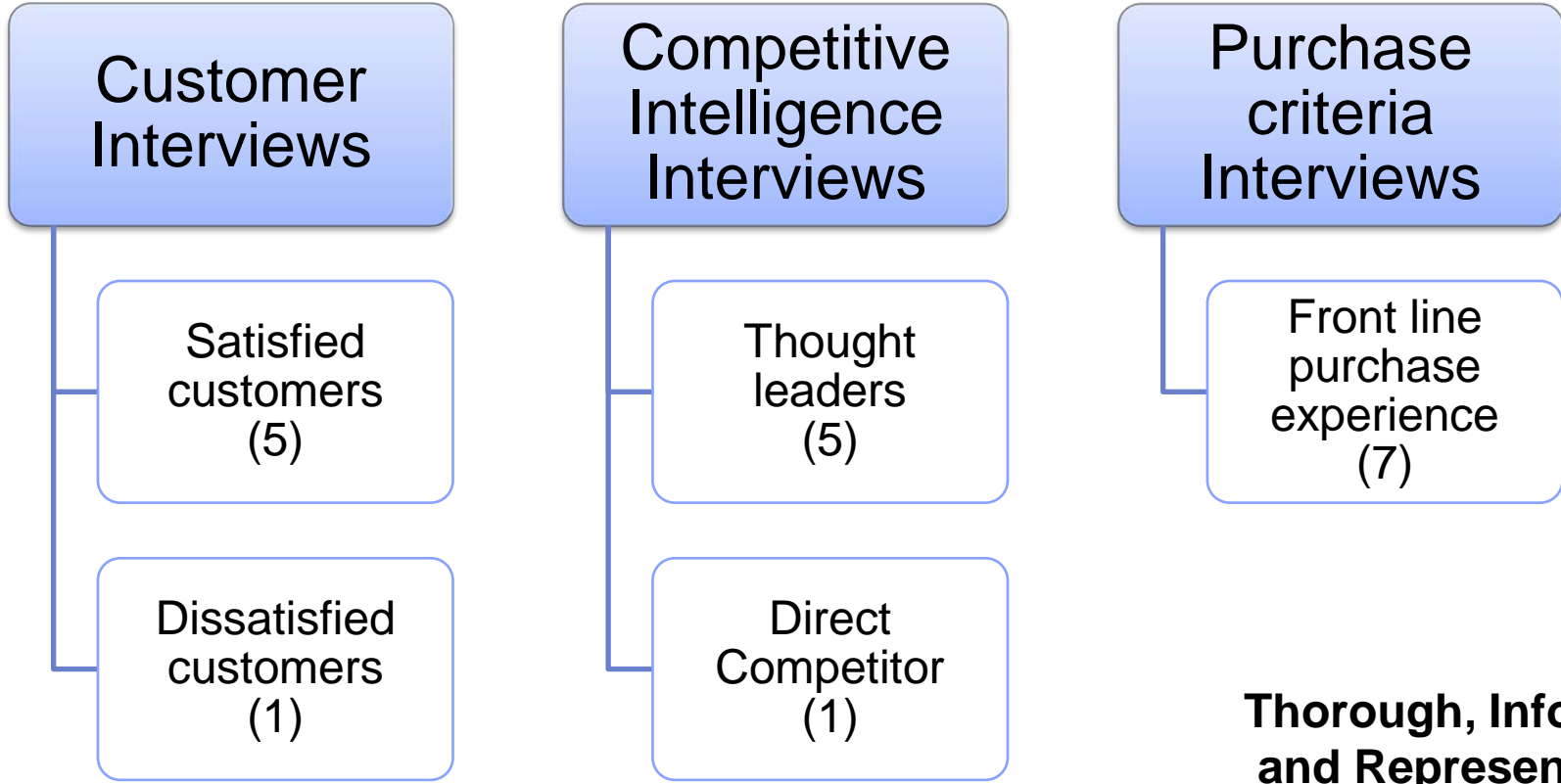
- Analysis & Recommendations
- Next Steps

Current Interview Targets – Internal 100% Completed



Balanced, Thorough, Completed

Current Interview Targets – External Complete



Thorough, Informed, and Representative Consultation and Engagement

Customer Satisfaction Survey Complete






Response Rates

Option	Last 100 customers	All other customer data	Total
Potential observation given to Consultant	89	380	469
Less			
- incomplete contact information	5	132	137
- bounced emails	10	84	94
- unknown inaccuracies	??	??	??
Net survey population	74	164	238
Responses received	44	58	102
Adjusted response rate	59%	35%	43%
Responses needed for reliable data	68	144	212

Existing Customer satisfaction survey

**Refer to attached survey report
Appendix A**

Existing Customer satisfaction survey Summary Findings

Implication		Conclusion
Existing customers are extremely satisfied		The existing service offering appeals to the existing customer base
There are points of agitation among the existing customer base		Existing business: fix them or lose customers Expanding business: agitation points become more pertinent
Base concept has traction		Risk: will this concept sell outside of the existing customer base
Existing customer base comes to Social Enterprise for the product and for the concept		Risk: Is this true beyond the existing customer base?
Existing satisfied customers do not purchase from Social Enterprise all the time		Even those in support of the concept will vary their buying habits

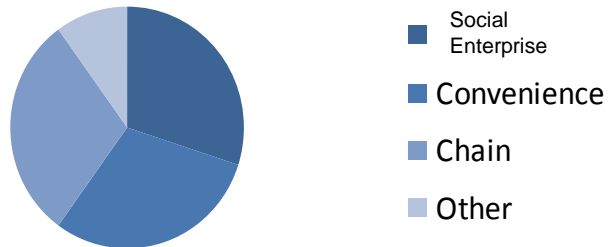
Existing Customer satisfaction survey

**Refer to attached low expectation
segmentation report
Appendix B**

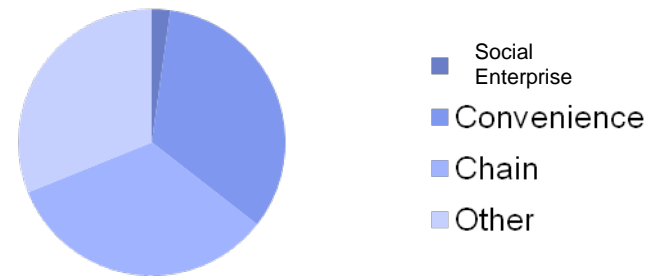
External Research: Market Share

Finding: Social Enterprise has healthy market share in the not-for-profit sector; expansion will require competing for customers with a different mind set

Market Share in NFP Sector



Market Share in For Profit Sector



Implication is that expansion in the Not-For-Profit sector is limited. To expand, Social Enterprise will have to move outside of its existing customer base.

Existing Customer satisfaction survey

**Refer to attached corporate
segmentation report
Appendix C**

External Research: Market Concentration

Finding: Social Enterprise's growth pattern has not changed the fact that they are successful chiefly in the Not-For-Profit Sector.

By Revenue Type

Year	2006		2007		2008	
	(000s)	%	(000s)	%	(000s)	%
Customer Type						
Corporate		18%		14%		13%
Government		11%		9%		22%
Educational institute		12%		9%		10%
Non profit organization		52%		50%		45%
Private individual		4%		9%		5%
Professional associations		1%		3%		1%
Indeterminate		2%		6%		3%
Total		100%		100%		100%

Summary

Year	2006		2007		2008	
	(000s)	%	(000s)	%	(000s)	%
Customer Type						
For Profit		18%		14%		13%
Retail		4%		9%		5%
Not For Profit		76%		71%		79%
Indeterminate		2%		6%		3%
Total		100%		100%		100%

External Research: Producing for Customers

Finding: Positioning for expansion will require a professional production and business approach

Value and expect consistency – satisfaction every order

Timely delivery

Quality and presentation

Appealing packaging

Learn of new producers through word of mouth and first-hand experience

Difficult to propagate

Difficult to control the message

Existing materials are not reaching this market

Primarily female decision makers

Job performance measured in part by their ability to organize successful events

Influenced by the purchaser's boss' & personal likes and dislikes

Influenced by ease and reliability of transaction

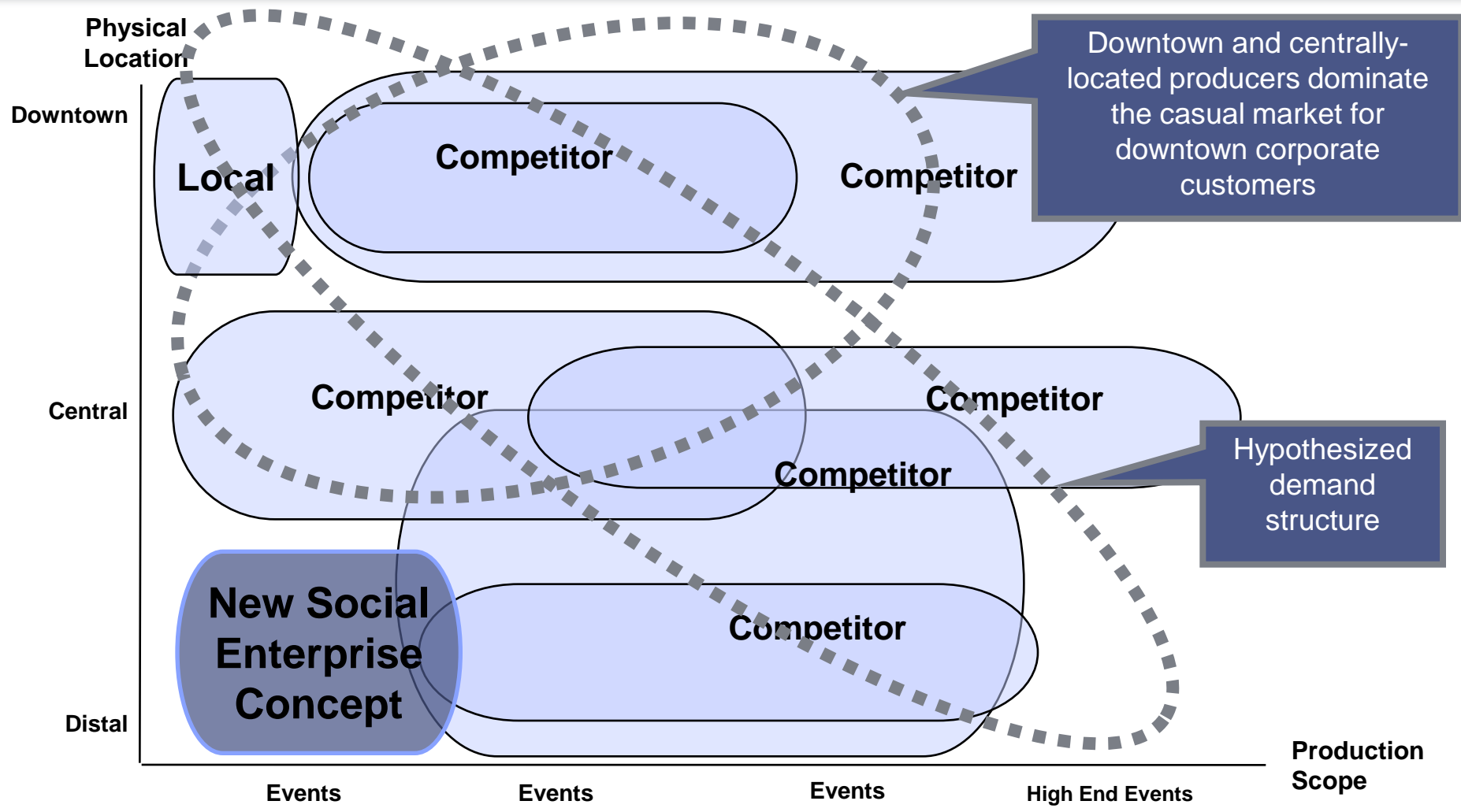
Corporate clients have different needs

Higher expectations for quality and meeting customer demands

Variety may be more important due to frequent ordering

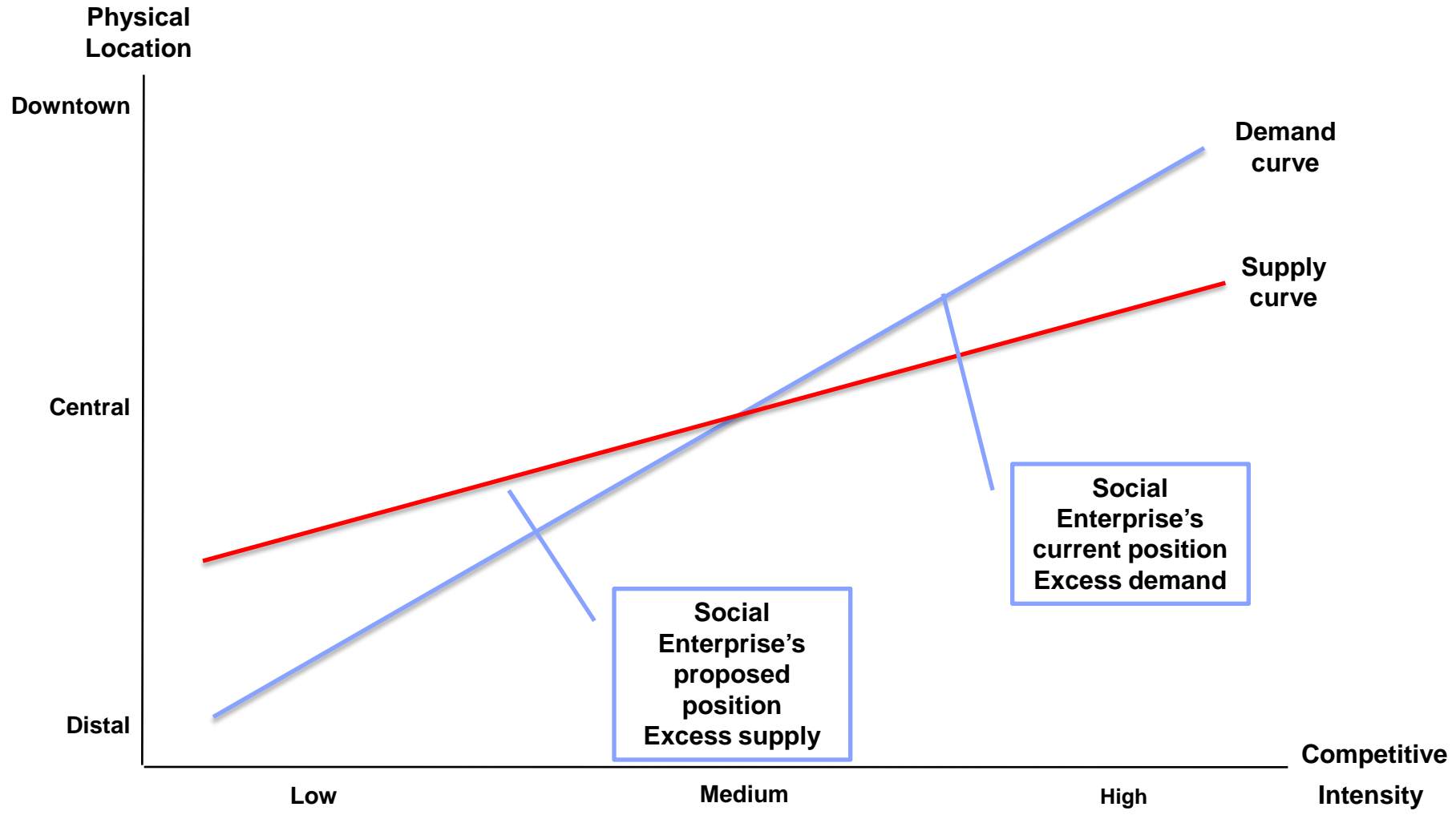
Streamlined ordering and invoicing process

External Research: Convenience Location Influences Customer Focus



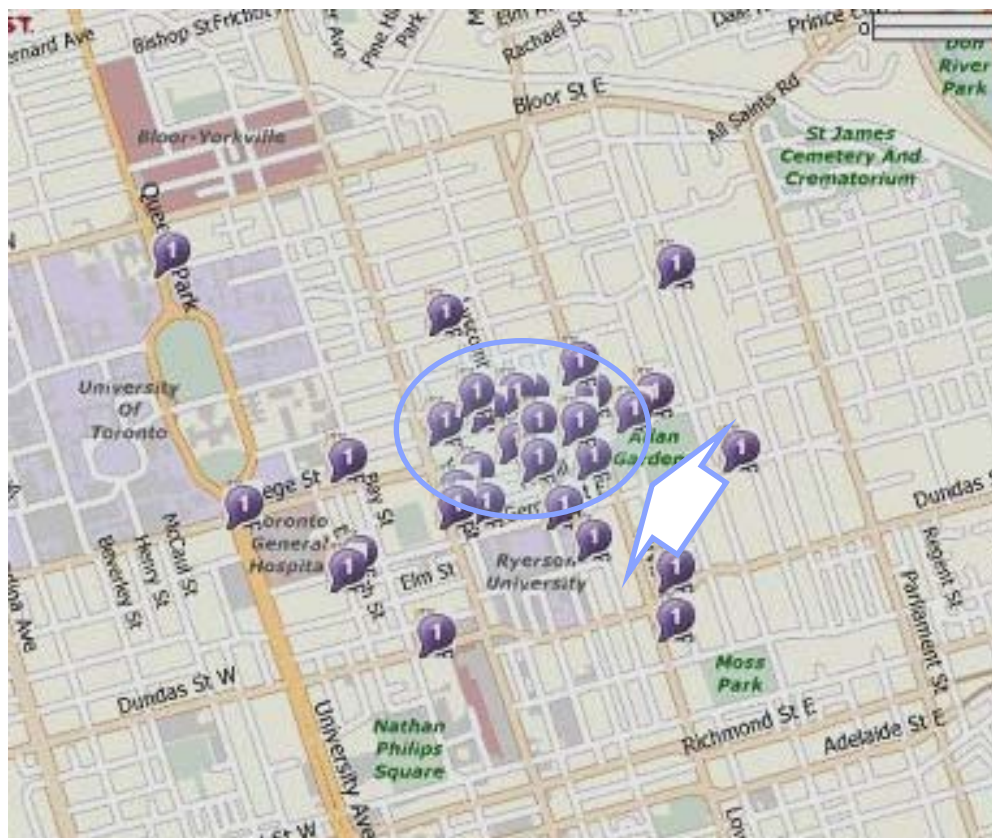
External Research: Location

Producing for the casual segment is regulated by traditional supply and demand factors



External Research: Location

Social Enterprise's current customer base is focused in the downtown core



Implication: expansion in the far north east (further from the target market), coupled with an expansion into the corporate sector appear to be contradictory

External Research: Location

Community's business community is focused in the downtown core



External Research: Location

Community's business community is focused in the downtown core



External Research: Location

Community's NFP community is near the downtown core (preliminary)



External Research: Threats

There are several external market forces at play that are faced by everyone in the business

- **Cost escalation**
 - ◆ Raw materials, labour, physical space, fuel
- **Continuing slowing of Community's economy**
 - ◆ Gradual or abrupt?
- **Retaining and recruiting key personnel**
 - ◆ Both to support current operations and to support expansion
- **Challenging delivery to large downtown corporate client base**
 - ◆ Traffic, construction, parking
- **Little to no margin for error with high customer expectations**

RISK!

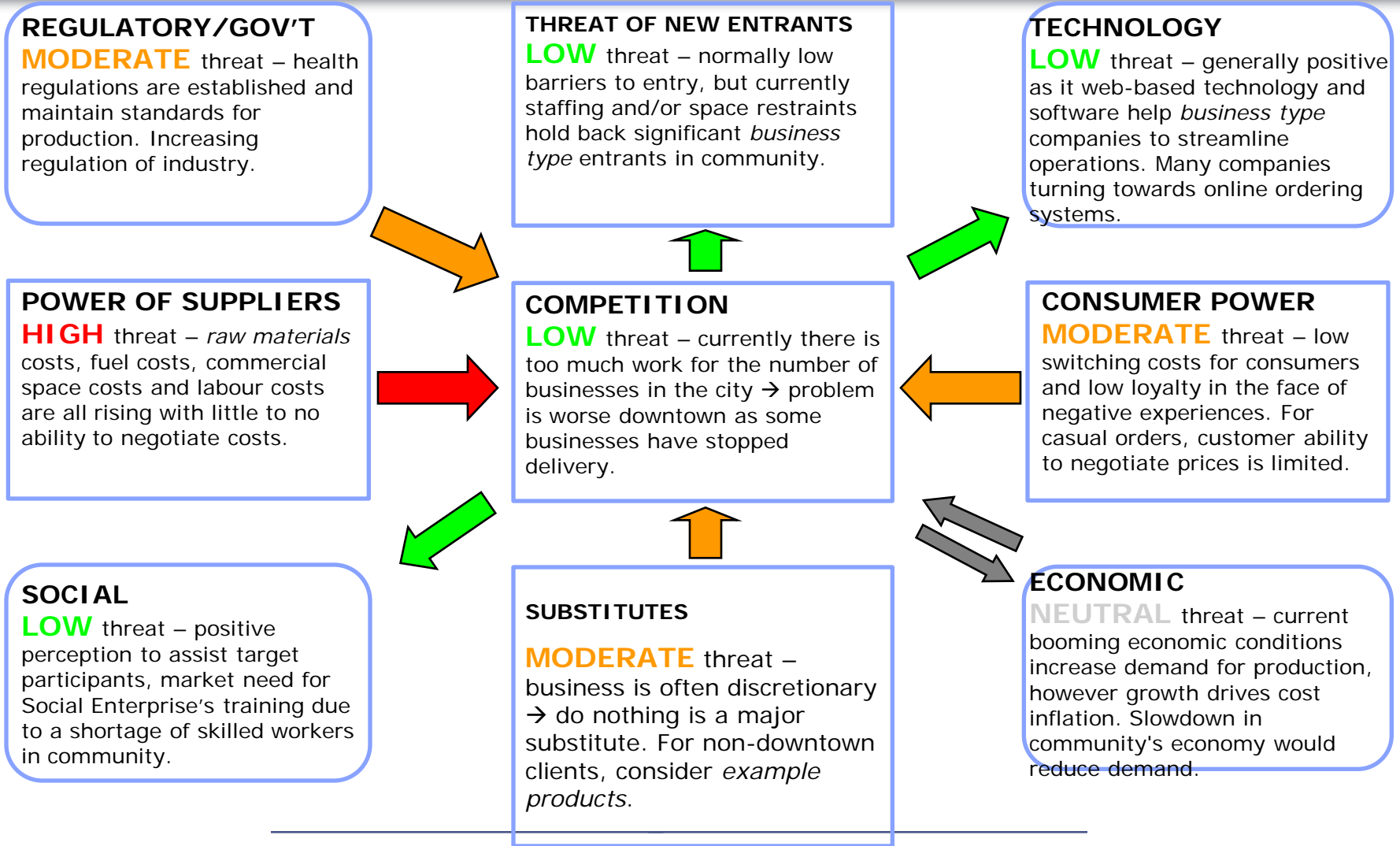
External Research: Opportunities

Several opportunities indicate that the current moment is effective for expansion






- **Currently product demand outstrips supply**
 - ◆ **More acute situation for downtown corporate clients**
- **Social Enterprise is uniquely positioned as the only Community (type) company with**
 - ◆ **A social good attached**
 - **(Company name) produces for their (name of) facility only, (Company name) closed 1½ years ago**
 - ◆ **Multi-ethnic products**
 - **Limited ethnic-themed production → (examples) only with little to no time to focus on building (type of) business**
- **As yet untapped opportunity to increase marketing efforts**
 - ◆ **Leverage customer and funder relationships to generate referrals**
 - ◆ **Sponsor events with key groups to showcase catering**
 - **E.g. AA (administrative assistant) corporate networks, United Way, Kahanoff Centre**
- **Explore strategic partnerships with special event caterers**
 - ◆ **Supply ethnic food product to them for special events**
- **Negotiate discounts or donations from food suppliers**

External Research: Forces faced by Social Enterprise

Social Enterprise faces many external forces, many beyond its control



External Research: Implications & Conclusions

Implication		Conclusion
Systematize processes that guarantee quality and consistency in advance of expansion		Mentoring from an existing <i>business type</i> company could be helpful
Cost escalation is forcing or will force increased efficiency in market		Ability to approach the opportunity with a business mind set is critical
Industry success requires being clear about target customers		Need to master downtown delivery challenges if committed to this market
Successful marketing requires getting your product to new potential users and 100%+ satisfaction from existing customers		Go the extra mile to support the success of ordering decision makers → offer value and make them look great
Social Enterprise's unique positioning should be emphasized throughout all customer-oriented activities		From initial marketing to product delivery to customer follow-up

Internal Research: Preliminary perspective on Social Enterprise

There are varying views on the effectiveness of Social Enterprise as a business

Strengths

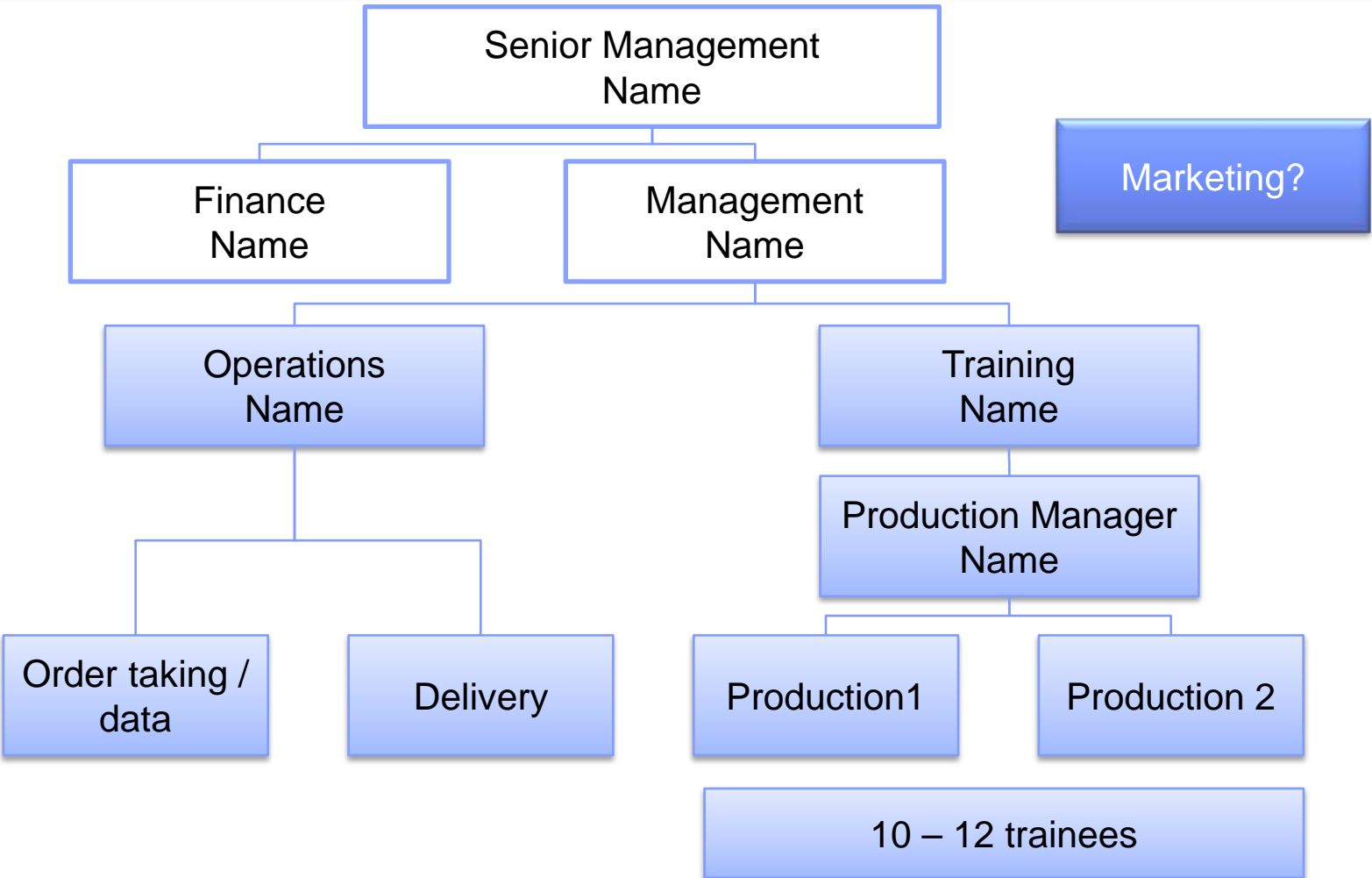
- Great market concept / value proposition
- Good products
- There is a market for this concept
- Leadership. management is passionate and committed
- Organization. Staff is passionate and committed
- Good track record – sales have doubled in the past two years
- Good track record – satisfied customers
- Good / attractive product offering
- Strong network of support surrounding this business

Weaknesses

- Concept is outside of the core business of the Parent Organization
- Current location is at capacity
- Management and information systems are ineffective or are not adhered to.
- Collections issue
- Existing financial results do not show the true financial picture
- Lack of polished marketing skills
- Insufficient resources to achieve sustainable advertising impact
- Insufficient resources to sustain the start up and working capital costs of an expanding business
- Inability to pay market wage rates
- Current structure may not be conducive to a more aggressive business model

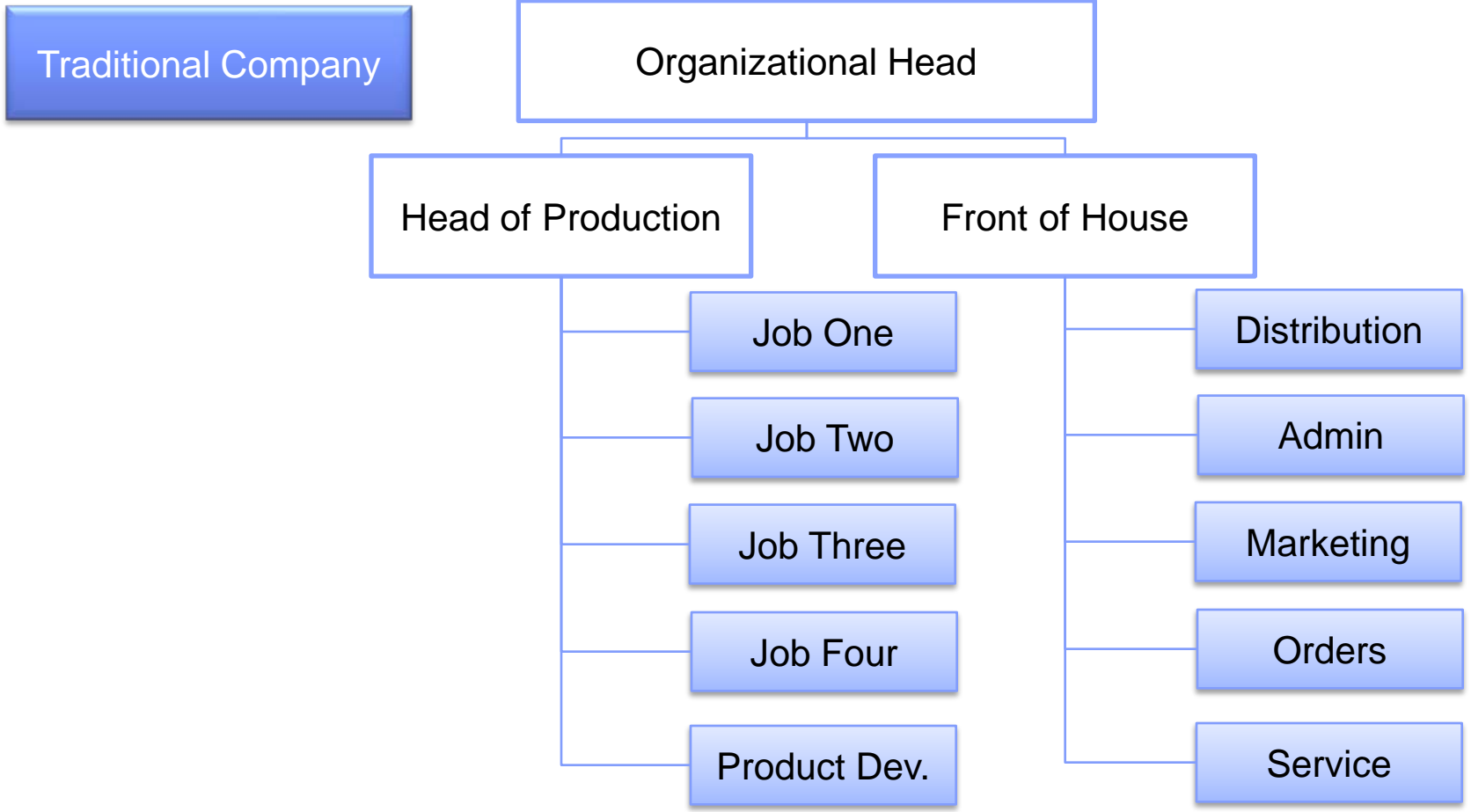
Internal Research: Existing organizational structure

Not functionally structured; evolved structure as opposed to deliberately designed



Organizational structure implications

Current structure is not aligned with the needs of the marketplace

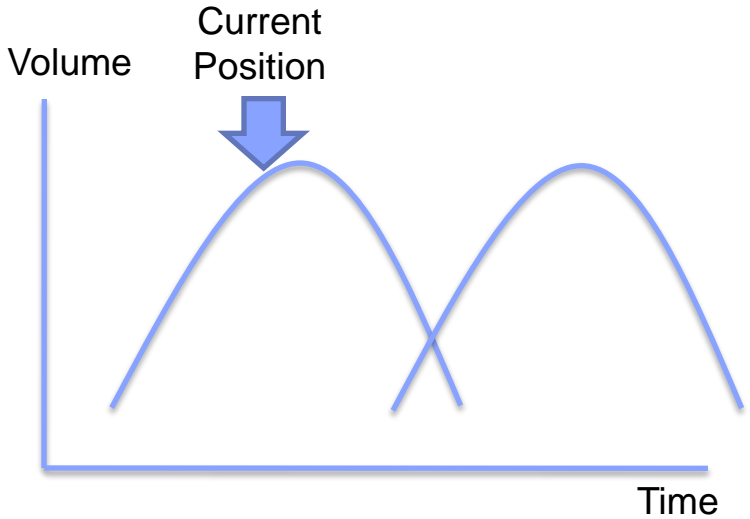


Product development implications

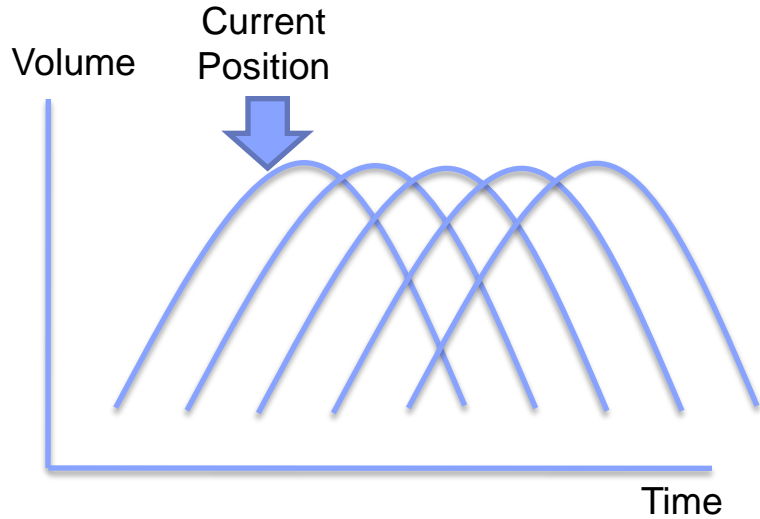
Current product development strategy is not consistent with long term capture of market share

Product life cycle
Product fatigue can be mitigated through a process of constant renewal

Peaks and valleys strategy



Wave clipping strategy



Internal Research: Historical Financial Picture

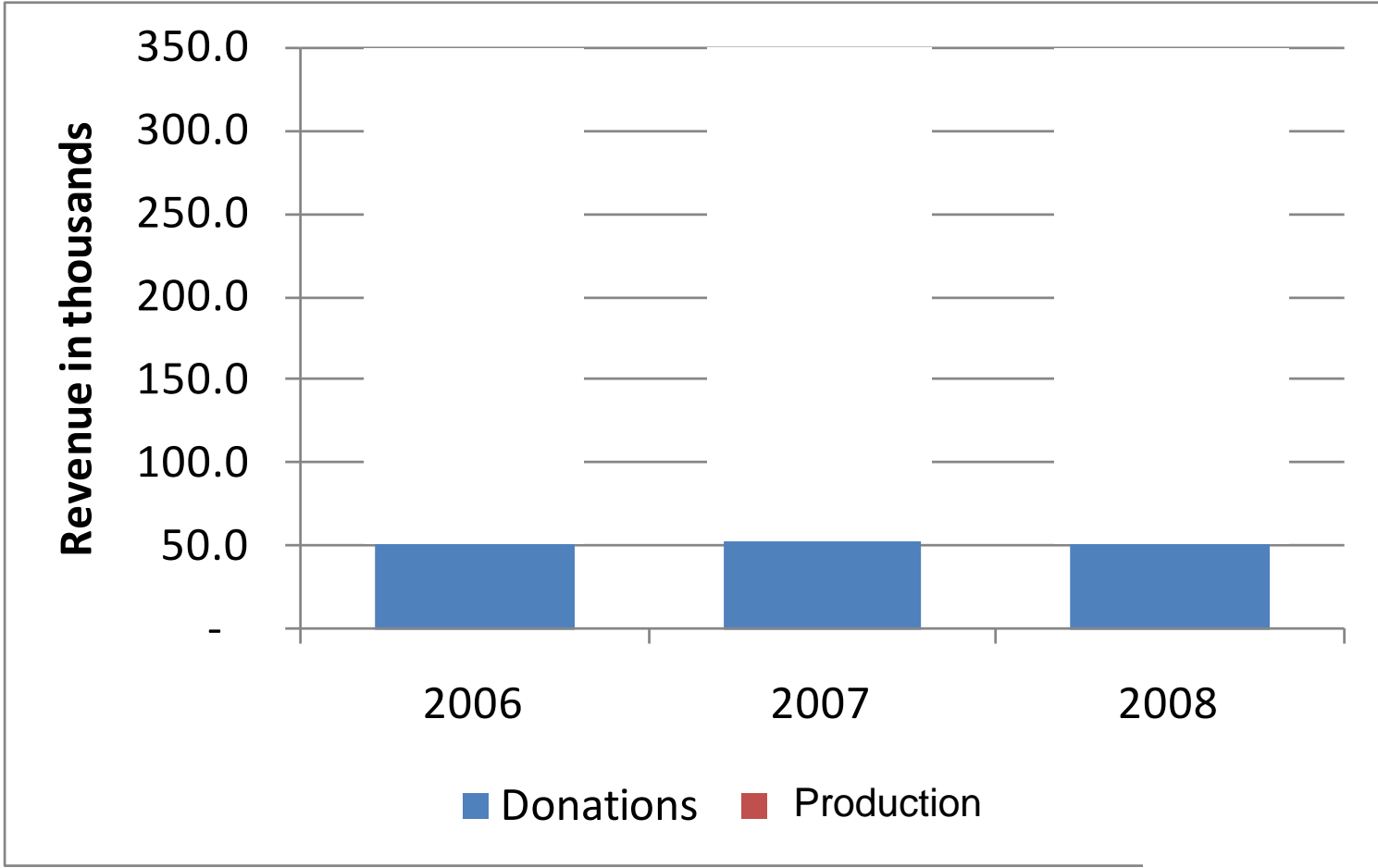
Historical financial figures do not depict the full cost running this initiative

Historical Statements of Profit and Loss (\$000s)

Year	2006	2007	2008
Revenue			.
Donations			
Sales			
		28%	10%
Expenses			
Salaries, Wages & Burden			
Supplies			
Project Administration - Allocation			
Rent & Office			
Travel & Transportation			
Bank, Insurance & Fees			
Marketing			
Ammortization			
Other			
Surplus (deficit)			

Internal Research: Historical Financial Picture

Dependence on donations is declining









Internal Research: Historical Financial Picture

Net Margins have declined while sales have increased

Selected Financial Indicators

	2006	2007	2008
Margin	38%	37%	42%
Break Even Sales			
Breakeven sales as a % of existing sales	367%	237%	234%
Monthly orders required to achieve BE sales	7	7	9

Internal Research: Implications & Conclusions

Implication		Conclusion
Social Enterprise has a strong value proposition the resonates with its customers		There is demand for what Social Enterprise sells
Social Enterprise lacks the marketing skills to aggressive pursue the corporate market		The acquisition of the these skills may be expensive ion the current labour market
Social Enterprise does not have the internal systems required to capture greater market share and to capitalize on existing growth		The existing systems do not allow for expansion
Social Enterprise and the Centre for New Comers do not have the ability to fund: the CapEx of expansion, the Working Capital of Expansion		Social Enterprise will have to receive funding that is in excess of the cost to expand the production facility
Social Enterprise and the Parent Organization do not have the ability to fund losses		They have to be risk intolerant
Social Enterprise is already experiencing strong cost escalation so that revenue growth is not as profitable as it has been in the past		Will need to begin implementing more professional practices to improve efficiency and streamline existing operations.

Discussion Agenda

- **Scope, Approach & Schedule**
- **Research Findings**

Analysis & Recommendations

- **Next Steps**

Economics

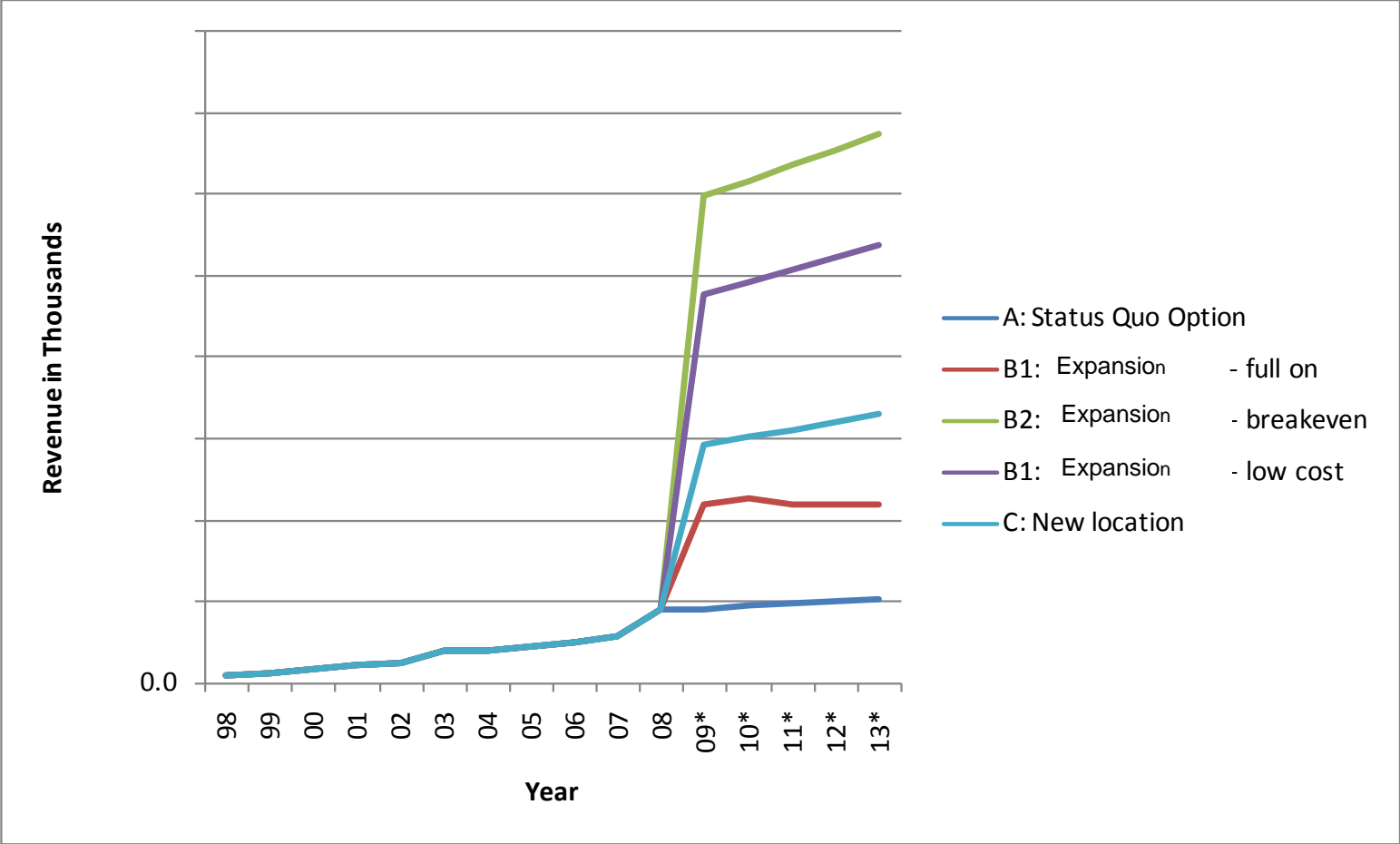
**Refer to attached economic model
Appendix D**

Economic Projections - Summary

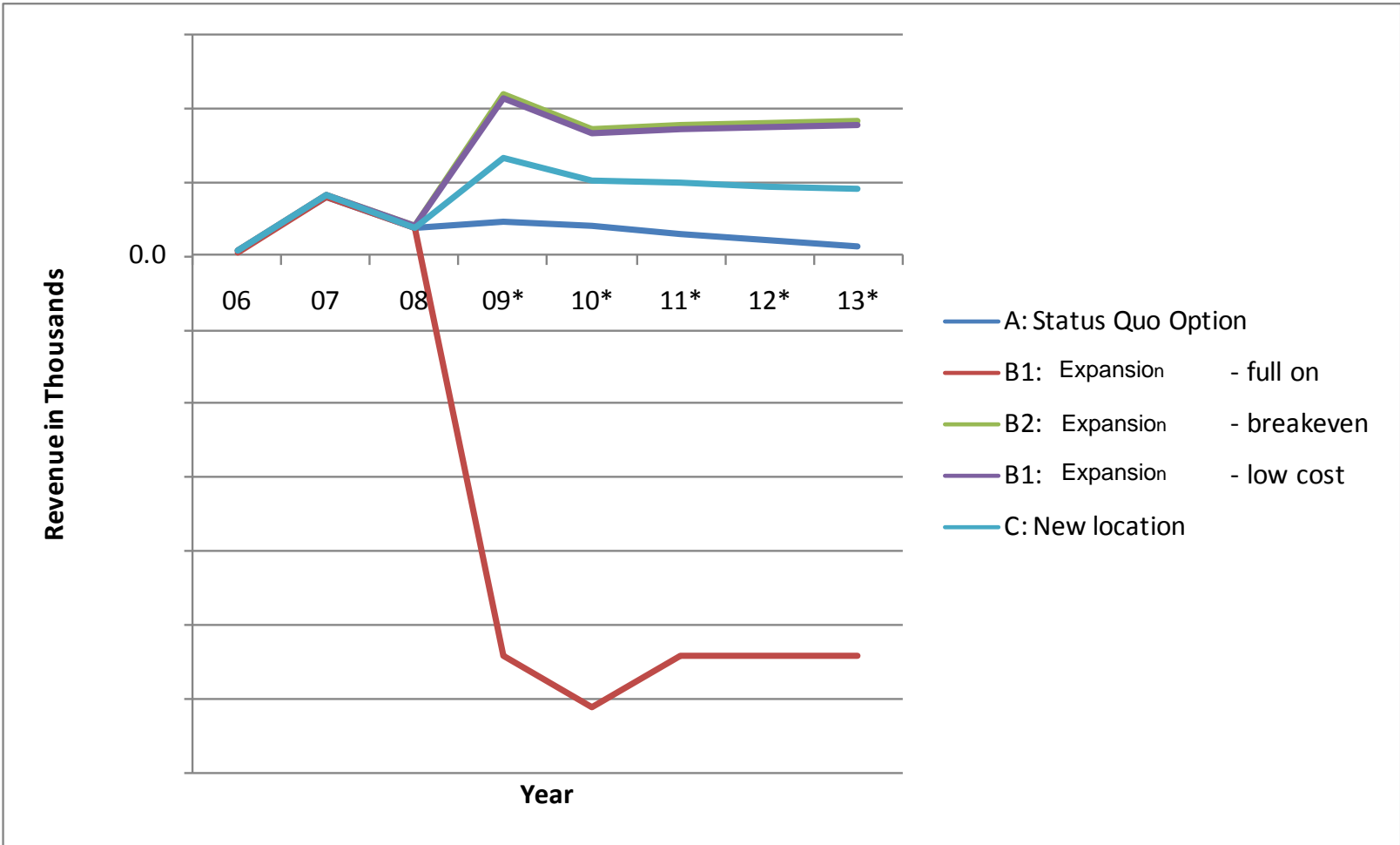
Production Sales

Year	A: Status Quo Option		B1: Expansion full on		B12: Expansion - breakeven		B1: Expansion low cost		C: New location	
	(000s)	Increase over previous	(000s)	Increase over previous	(000s)	Increase over previous	(000s)	Increase over previous	(000s)	Increase over previous
1998										
1999		17%		17%		17%		17%		17%
2000		55%		55%		55%		55%		55%
2001		29%		29%		29%		29%		29%
2002		11%		11%		11%		11%		11%
2003		50%		50%		50%		50%		50%
2004		4%		4%		4%		4%		4%
2005		11%		11%		11%		11%		11%
2006		13%		13%		13%		13%		13%
2007		14%		14%		14%		14%		14%
2008		58%		58%		58%		58%		58%
2009*		0%		140%		556%		421%		220%
2010*		3%		3%		3%		3%		3%
2011*		3%		-3%		3%		3%		3%
2012*		3%		0%		3%		3%		3%
2013*		3%		0%		3%		3%		3%

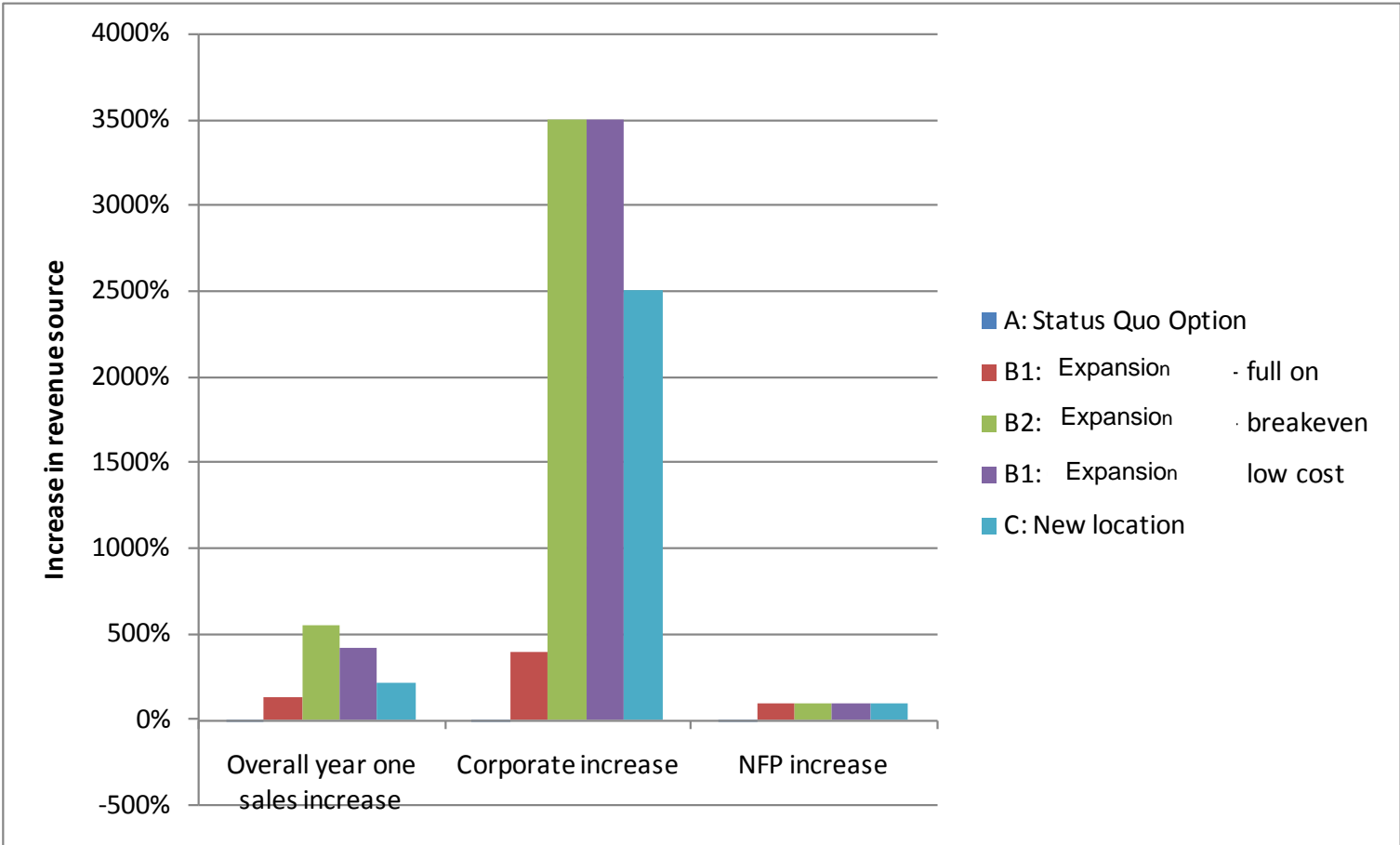
Economic Projections – Summary Revenue Projection



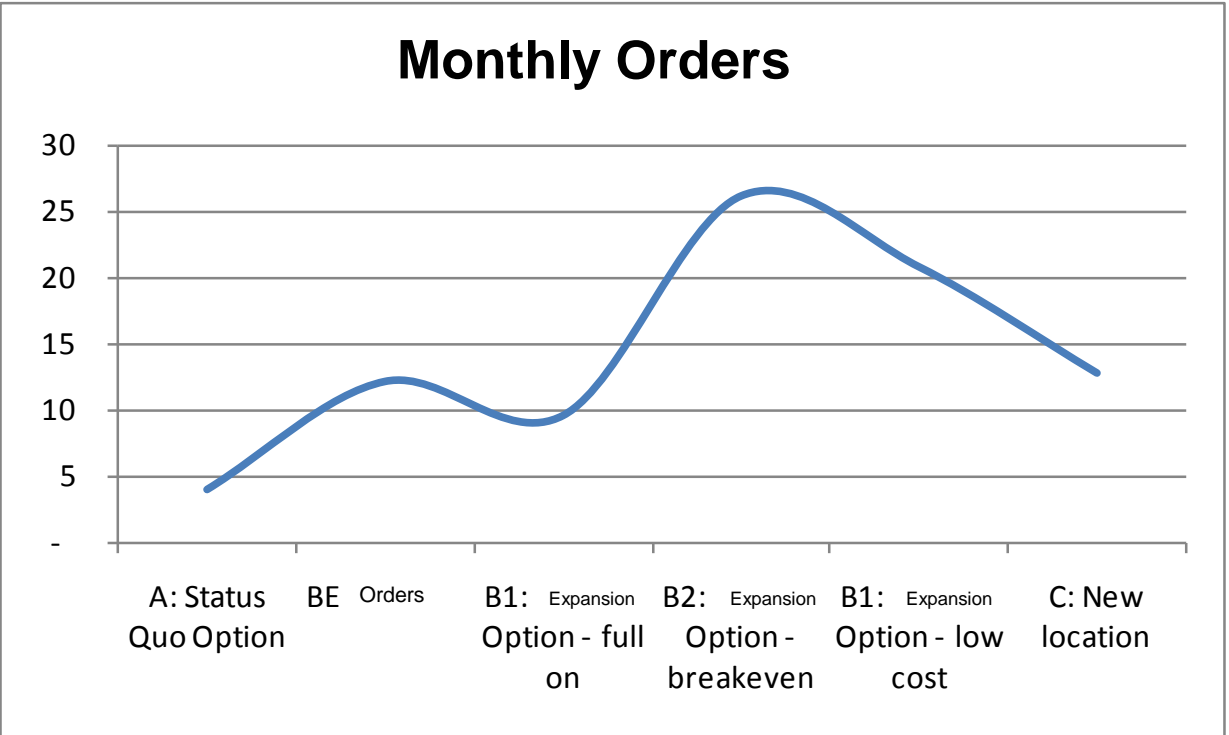
Economic Projections – Summary Income Projection



Economic Projections - Summary



Economic Projections - Summary



Economic Projections - Summary

Overhead to Sales

Additional overhead	
Margin	42%
Sales required to cover additional overhead	
Total orders required to support the overhead	
Monthly orders required to support the overhead	

Survey results for corporate clients

Refer to attached corporate segmentation model

Criteria for Evaluating Alternatives and Determining the Final Feasibility

- **Market considerations:**
 - ◆ Strategic positioning & branding
 - ◆ Intensity of competition
 - ◆ Ease of market entry
 - ◆ Threat of substitutes
 - ◆ Bargaining power of consumers
 - ◆ Bargaining power of suppliers
 - ◆ Perception of Social Enterprise in the marketplace
- **Financial considerations:**
 - ◆ Impact on funding
 - ◆ Economies of scale
 - ◆ General efficiencies
 - ◆ Potential financial performance of the initiatives
 - ◆ Likelihood of financial returns
- **Operational considerations:**
 - ◆ Competencies
 - ◆ Objectives
 - ◆ Decision-making process
 - ◆ Risk tolerance
- **Stakeholder engagement considerations:**
 - ◆ Alignment with critical stakeholder values and concerns
 - ◆ Maintain training standards and throughput
 - ◆ Maintain product quality
 - ◆ Alignment with core values of the Parent Organization
- **Followed by a Go / No Go decision point**

Using the criteria for evaluate the alternatives

Market Expansion Strategy Analysis Tool

ref	Strategic Options	General Considerations		Financial Consideration			Market considerations		Organization Considerations		Summary			
		Probability of Success	Speed	Profitability	Risk	Capital intensity	Customer satisfaction	Market Acceptance	Fit with organization's values	Fit with organization's abilities	Absolute Score (Ave.)	Rank	Weighted Score	Rank
	Area Weights	25%		25%			25%		25%					
	Weights	75%	25%	50%	30%	20%	50%	50%	50%	50%				
A	Status Quo	1	1	4	1	1	1	1	4	4	2.3	2	2.1	2
B1	Expansion - Full on	5	5	5	5	5	3	3	2	5	4.0	5	4.1	5
B2	Expansion - Breakeven	4	4	3	4	4	3	3	3	2	3.1	4	3.3	4
B3	Expansion - Low cost	3	3	2	3	3	3	3	3	2	2.7	3	2.8	3
C	New Location	2	2	1	2	2	1	2	1	1	1.4	1	1.5	1

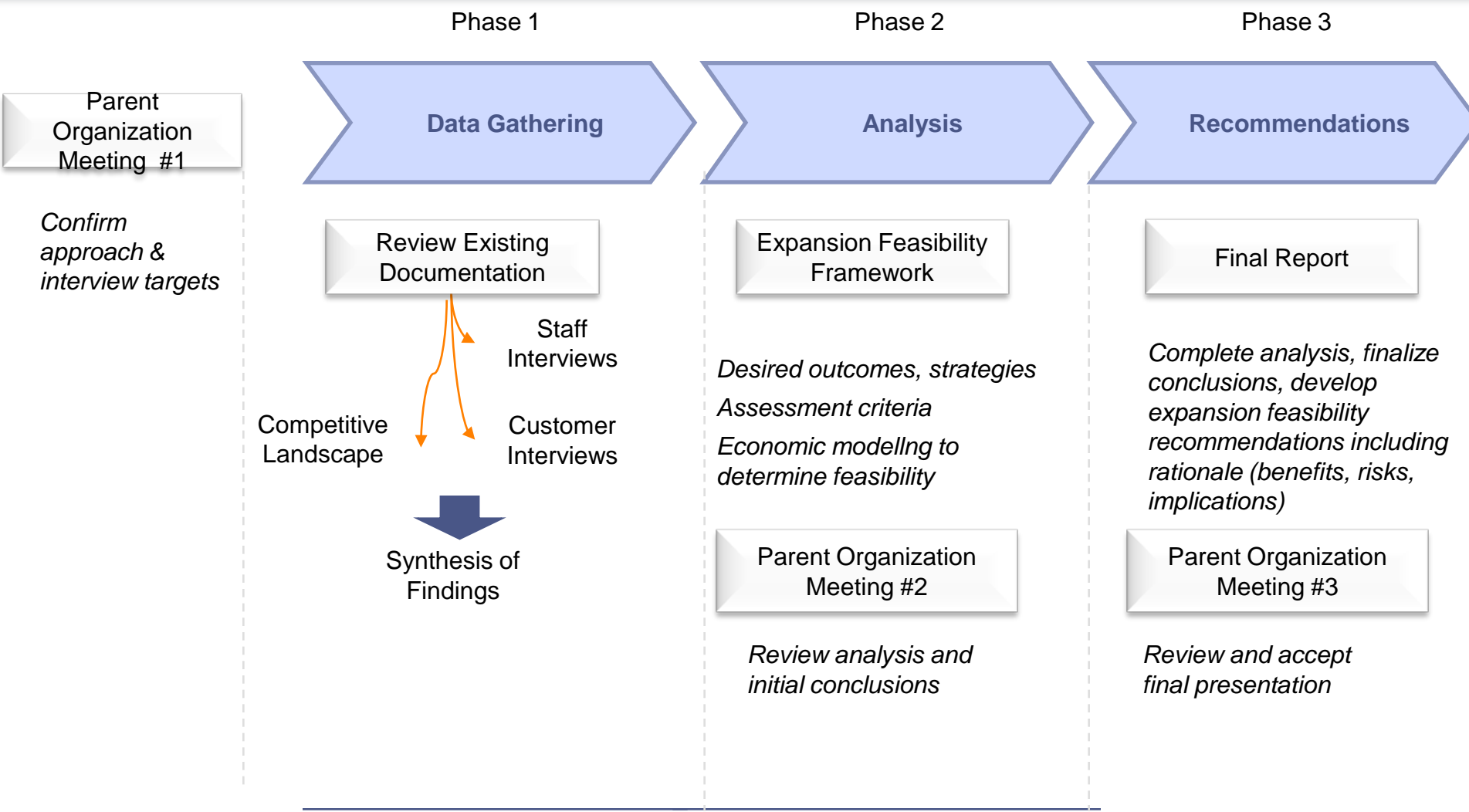
Conclusions

- Feasibility
 - ◆ There is a realizable market opportunity
 - ◆ The economics of the opportunity are thin
 - ◆ The opportunity is not viable with the existing skill sets and management systems in place at Social Enterprise
- Risk. In order to capture this opportunity all identifiable risks have to mitigated.

Next Steps

- Refinement of micro economics
- Clarity of macroeconomic trends
- Submit final report
- Business and implementation plans

Proposed Approach



Internal Interviews – Methodology Used

- Interview guide to be developed
- Focus will be on:
 - ◆ Strengths and weaknesses of the current operations
 - ◆ Trends and learnings from current operations
 - ◆ Profiles of current customers
 - ◆ Expectations of current customers
 - ◆ Social Enterprise's internal capabilities
 - ◆ Benefits and risks associated with each option
- Methodology will be in-person or telephone interviews, wherever practical
 - ◆ Substitute for telephone interviews if interviews at the Parent Organization cannot be scheduled on a back-to-back basis
- 5 internal interviews are forecast

- *Suggested interview targets*

External Customer Interviews – Methodology Used

- Interview guide to be developed
- Focus will be on:
 - ◆ Customer needs
 - ◆ Market perception of Social Enterprise
 - ◆ Customer feedback associated with different options
- Telephone interviews
- Staff Group to facilitate participation of interviewees

Social Enterprise Fact Finding Research – Methodology Used

- Consultant to assign research homework to Staff Group
- Homework will support a robust economic model
 - ◆ Information to support a global financial analysis
 - ◆ Information to support option specific financial analysis

What are the Perceived Drivers Behind Expansion?

Expansion Drivers:

- Take on larger clients
- Reduce dependence on fundraising for Social Enterprise's revenue generation
- Serve more participants, expand training programs
- Take client orders 7 days a week
- Compete with traditional companies
- Generate revenue for the Parent Organization
- Branch out into new products and/or services
- ...

What are the Issues Associated with Expansion?

Key Issues:

- Ability to maintain training standards
- Governance structure receptive to innovative practices
- Maintenance of social enterprise model
- Ability to fundraise for a major capital investment
- Access to needed skill sets
- Willingness to take on financial risk
- Resource availability to pursue expansion
- ...