



## Overview

### Operations

- Operations Plan
- Business Location
- Facilities and Equipment

### Human Resources Plan

### Product Protection Options

## Operation Overview



## Operations Plan

- **Purpose:** Outlines how product or service will be produced and how business will be run
- **Overview: sections**
  1. Operating Model and procedures: **back-stage** and **“front stage”**
  2. Business location
  3. Facilities and equipment
  4. Human resource requirements
  5. Product property: patents, trademarks, copyrights, or trade secrets
  6. License, Permits, Regulations & Insurance
  7. Risk management plan
- Vary in depth and breadth with business idea

## Operations Plan

The most important rule of thumb for writing the operations and the product design and development sections of your business plan is to focus on the aspects of each of these areas that are either essential to the success of your business or sets you apart from your competitors.

**Routine topics should be dealt with lightly and quickly.**

### 7 Steps

- variation in depth and application
- dependent on the product/service/firm

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## Operating Model and Procedures: “backstage” and “front stage”



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## Operating Model and Procedures: “back stage” and “front stage”

- The primary objective of this section is to show that you have a firm grasp on the operational details of launching and running your business
- Common to have operations flow diagram
  - diagram shows the key steps in the production of a product or the delivery of a service
- Main Issues:
  - Source of supplies
  - Inventory storage and turnover
  - Length and nature of the production cycle & order fulfillment / shipping
  - Potential bottlenecks
  - Seasonal production load
  - Quality control, standards for equipment & food safety (details later)
  - After-sale service

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## Operating Model and Procedures

### High-Level Flowchart for an Order-Filling Process

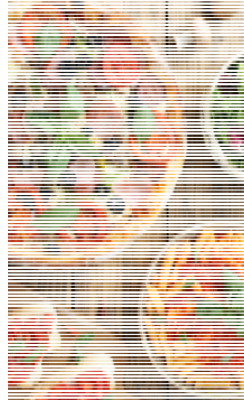


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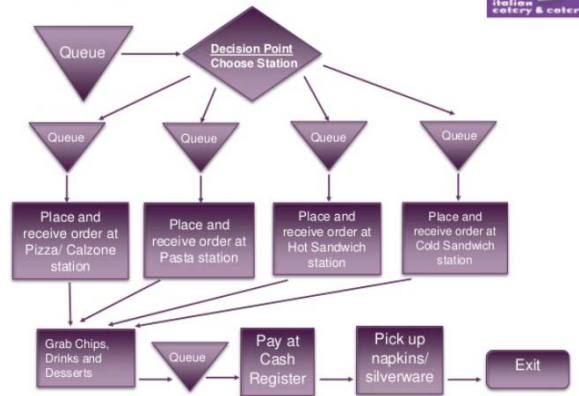
## Operating Model and Procedures: “backstage” and “front stage”

Front Stage: What clients see and experience

- Operations flow diagram example



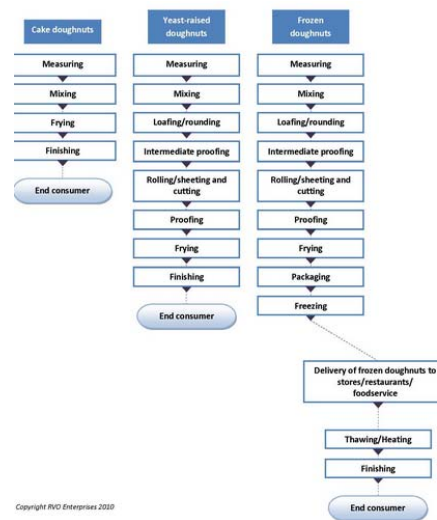
Existing Process Flow Diagram



## Operating Model and Procedures: “back stage” and “front stage”

“Back stage”: Behind the scenes activities

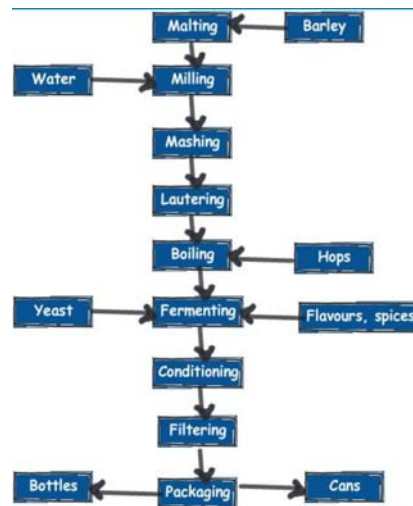
- operations flow diagram example



Copyright RWD Enterprises 2020

## Operating Model and Procedures: "back stage" and "front stage"

Another back stage example:  
Operations flow diagram



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## Operating Model and Procedures: "back stage" and "front stage"

- All firms require both stages
- Some elements may be much simpler than others, depending on the kind of firm and what it produces
- Most operational details aren't important to a Business Plan: they are needed at a later stage
- Sometimes one of the key innovations a firm is proposing it to do operate differently than others in the industry, in which case it IS an important element of the Business Plan

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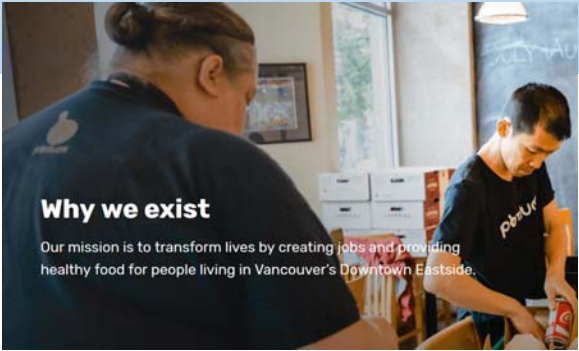
## Business Location



## Business Location


- Operating Model should discuss importance or unimportance of geographic location
- Importance could be affected by:
  - Traffic
  - Visibility
  - Parking
  - Surrounding firms
- When location is important, other elements need to be assessed, such as:
  - Proximity to qualified labour force
  - Closeness to suppliers
  - Access to transportation
  - Access to international shipping alternatives
  - Proximity to target customers
  - Access to favorable state and local tax rates
  - Access to economic incentives
  - Proximity to high-quality community more generally

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**Why we exist**

Our mission is to transform lives by creating jobs and providing healthy food for people living in Vancouver's Downtown Eastside.



**Social impact is on the menu**

When you order from Potluck, you create employment for people in the Downtown Eastside. That's something we can all be proud of.

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# Facilities and Equipment



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## Facilities and Equipment

- List the most important facilities and equipment
  - Will they be acquired through purchase or lease?
- Intent to contract or outsource production?
- Growth considerations: ability to grow within existing facility or transition to larger facility
- These are related to start up investment & sources and uses of funds

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## Facilities and Equipment

- Some kinds of businesses can outsource certain elements of their business, allowing them to focus on processes they can excel at
- Examples:
  - Co-Packers:
    - manufactures a product on a much larger scale for a fee.
    - They have commercial equipment, professional staff, and the ability to buy ingredients and packaging at a lower cost than a small individual producer.
    - provide a range of services important or essential to the development and production of food products, such as compliance with regulation &/or formulation, recipe scaling, production, packaging, and labeling process.
  - Commercial Kitchen:
    - licensed facilities that provide food producers with a production space.
    - Size = efficiency
    - Many shared-use kitchens provide other services, such as help commercializing your recipe or help getting it into the marketplace.
    - They may also help vendors for ingredients and packaging identification.

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example



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Potential break  
point



## Human Resources (HR) Plan



### HR Plan

#### Key elements:

- Main team –responsibilities
- Guidance: Board
- Employees – tasks, hours, pay, benefits, requirements
- HR Organizational Chart

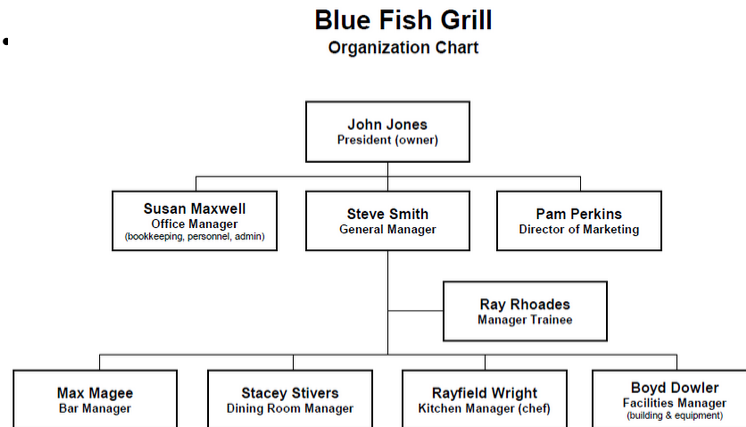
Easy to ignore when you are a small / startup firm, but crucial, particularly if some staff will be part time

#### Common mistakes:

- Friends make good co-workers
- Previous success in other areas must mean success on new topics
- I can handle everything by myself
- Top quality people don't need to be compensated fairly or offered part-ownership
- We can paper over any weaknesses and work them out later

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## HR Plan: Org chart example



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## Product Protection



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## Product Protection

How should you protect your product, service or idea?

- Patent
- Trade secret
- Copyright
- Trademark

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## Product Protection

### **Patent:**

- Protects inventions (in theory)
  - New and useful processes, machines, manufacturing processes, compositions of matter as well as major improvements to these.
- Goal of the patent law is to encourage innovation and commercialization of technological advances. Patent law incentivizes inventors to publicly disclose their inventions in exchange for certain exclusive rights.
- Companies rely upon patents to protect their innovations and to maintain competitive advantage.

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## Product Protection

### Patent: continued

- Application process is expensive, complex, difficult, and time consuming
- You do not need to obtain a patent unless you:
  - Have invented a product that you intend to market yourself or sell to a manufacturer, or
  - Believe that someone else could successfully sell your invention by copying it
- Rights of holder : Right to prevent others from making, selling using or importing the patented invention
- Term: 20 years

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## Product Protection

### Patent: Continued

#### • What Types of Foods Have Earned Food Patents?

- Altering shapes:
- Creating combinations:
- Improving flavor:
- Improving textures:
- Increasing shelf life:
- Making foods healthier:
- Making foods easier to cook:
- New foods in special diets: Vegan and gluten-free diets

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## Product Protection

- Patent:

abcNEWS.com Original Report



### Patently Absurd

Does a Peanut Butter and Jelly Sandwich Deserve Patent Protection?

Commentary  
By John Stossel  
abcNEWS

**Aug. 1** — A patent is a useful thing. If you invent, say, the hula hoop, it's good that the U.S. Patent office will insure that no one but you has the right to sell it for 20 years. This encourages people to invent hula hoops, robotic arms, paper shredders, Gameboys, the Segway and other good things.

But peanut butter and jelly sandwiches? Smucker's got an exclusive patent for the crustless, pre-packaged peanut butter and jelly sandwich. But parents have been cutting off crusts for kids for years.

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## Product Protection

- Patent:

- Smucker's utility patent was invalid for its, crimped and crustless peanut butter and jelly sandwiches

### WHY?

Due to its **obviousness**

**Uncrustables' crimped edges look just like ravioli**



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## Product Protection

### Method of making microwavable sponge cake



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## Product Protection

- Patent: **ex**-Cold stone creamery's signature strawberry passion ice cream cake



Breyer's viennetta ice cream cake



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## Product Protection

Other observations about patents:

- Dominance of large firms
- Difficulty protecting a patent (minor tweaks)
- Legal challenges

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## Product Protection

### **Trade Secret**

- Information about a business that could give a competitive advantage to another person or business.
- Criteria:
  - Information not generally known or easily obtainable by others which can include confidential manufacturing, industrial, or commercial information.
  - Knowledge that created by the work of a person or a company that has an economic interest in keeping it.

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## Product Protection

### Trade Secret continued

- Protected by "common law" (law developed through cases in the courts),
  - *Uniform Trade Secrets Act* developed and became law in the late 1970s and early 1980s, to offer a clearer and more consistent legal framework for protecting trade secrets and providing remedies against unfair actions.
- May also protect trade secrets by putting confidentiality agreements in place with employees or agents

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## Product Protection

### Trade Secret

#### **If KFC wants to protect its recipe, why doesn't it just get a patent?**

Because then the cat would be out of the bag on what the 11 spices are. In order to acquire a patent, a company has to give pretty exhaustive information on what it's patenting to the United States Patent and Trademark Office. If the office granted a patent, the information would then become public.



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## Product Protection

### Trade Secret

#### The Krispy Kreme Recipe



#### McDonald's "Special Sauce"



Coca-Cola formula, which is known by the code name "Merchandise 7X"



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## Product Protection

### Trademark

- Protects: Any word, phrase, symbol, and/or design that identifies and distinguishes the source of the goods of one party from those of others
- Rights of holder:
  - Limit use of word, name, symbol or device used with goods to indicate the source of the goods
  - Used to prevent others from using a confusingly similar mark but does not prevent others from making the same goods or from selling the same goods or services under a clearly different mark
- Term: For as long as the mark is used in commerce

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## Product Protection

### Trademark



Starbucks versus Japanese dairy company Morinaga in 2018.

Morinaga company applied and registered coffee trademark 'Mt. RAINIER' in February 2015. Starbucks claimed that "Morinaga's trademark is a trademark that is similar to a well-known trademark of its own, and the registration should be nullified."

Interestingly, Starbucks lost

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## Product Protection

### Trademark

- Trademark protections also require legal action and support
- Success varies from country to country, and product to product
- Other examples:
  - Champagne
    - <https://aaapright.com/keynotes-learned-from-the-champagne-trademark-battle/>
  - Prosciutto
    - <https://corsearch.com/knowledge-base/news/trademark-battle-over-prosciutto-di-parma-comes-to-an-end-in-canada/>



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## Product Protection

### Trademark



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## Product Protection

### Copyright

- Form of protection provided to the authors of "original works of authorship"
- Protects:
  - **Original** works of authorship, such as books, articles, songs, photographs, computer code, sculptures, choreography, sound recordings, motion pictures, and other works, both published and unpublished
- Rights of holder: control the reproduction, making of derivative works, distribution and public performance and display of the copyrighted works
- Term: Author's life plus 70 more years.

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## Product Protection

### Copyright

- Symbol:
- symbol © (the letter c in a circle) and/or the word “copyright,” an year
- the name of the owner of the copyright, or an abbreviation by which the name can be recognized, or a generally known alternative designation of the owner.
- **Copyright** law does not protect recipes that are mere listings of ingredients. ... **Copyright** protection may, however, extend to substantial literary expression—a description, explanation, or illustration, for example—that accompanies a recipe or formula or to a combination of recipes, as in a cookbook. Feb 3, 2015

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## Product Protection

### Copyright infringement example:

#### EMINEM SUES NEW ZEALAND GOVERNING BODY FOR COPYRIGHT INFRINGEMENT

*By Joseph Mandour on May 10, 2017*



San Diego – United States rap star, Eminem, is suing the current New Zealand ruling political party for copyright infringement. The dispute is over a campaign ad that the conservative National Party ran during the country's 2014 election.

Representatives from Eminem's Detroit based music publishing company, Eight Mile Style, claim that the music that underscores the ad is clearly from Eminem's international bestselling track “Lose Yourself,” which was featured in the popular motion picture 8 Mile. Eight Mile Style copyright lawyer, Gary Williams, insists that the use of the song is a clear breach of copyright.

### Relevance to products and services reliant on land/water/food systems?

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## Product Protection

- Differences

	Copyright	Trademark	Patent
<b>Intellectual Property Type</b>	Artistic, literary or dramatic expressions such as songs, music, motion pictures, poetry, fiction and non-fiction writings, etc.	A company or brand's "mark" (e.g. its name, logo, motto etc.) which distinguishes it as the source of any services or goods.	An invention which must be a manufactured product, an apparatus, chemical composition or a manufacturing process
<b>Protection Requirements</b>	A materialized form of artistic expression which exists as a tangible entity. Ideas cannot be copyrighted.	A unique brand name, logo, symbol, design or motto which is distinctive to its representative source.	An invention which is innovative, previously undiscovered and has practical applications in any industry.
<b>Duration of Rights</b>	Copyright laws apply to the intellectual property for the duration of the artist's life plus 70 years.	Trademark laws last forever provided that the mark in question is actively in use by the source in commerce.	Patents are limited duration intellectual property rights which last a maximum of 20 years.
<b>Rights Provided to Owner</b>	Right to reproduce or copy the works, distribute or broadcast the works to the public, and lend or rent the work.	Right to use and prevent use by other parties in a manner that is similar and creates confusion about the source.	Right to use the invention and prevent others from using, recreating, importing or selling the patented invention.

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## License, Permits, Regulations & Insurance



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## License, Permits, Regulations & Insurance

- **Federal Business Registration CANADA** [website](#)
- To register your business, you may need a business number. A number is necessary if you require:
  - [GST/HST](#)
  - Payroll
  - Excise
  - Corporate income tax
  - Import/export account
- **Registration of an Establishment CANADA** [website](#)
- You may need a certificate if your business processes food products that will be transported out of province.
- Dairy products
- Fresh fruits and vegetables
- Processed food products
- Honey products

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## License, Permits, Regulations & Insurance

### **Food Safety & Labeling: CFIA CANADA** [website](#)

Safe Food for Canadians Regulations: A Handbook for Food Businesses

- Summary of the parts of the proposed Safe Food for Canadians Regulations

### **Industry Labelling Tool CANADA** [website](#)

- Food labelling reference for all food inspectors and stakeholders in Canada.

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## License, Permits, Regulations & Insurance

- **BizPal** permits and licences requirement
- BC based but provides federal access as well.
  - [BCBizPal.ca](https://www.bcbizpal.ca)

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## License, Permits, Regulations & Insurance

- **Food Safety Plan and Sanitation Plan:** British Columbia [website](#)
  - Develop, maintain and follow a written food safety plan and sanitation plan that must be submitted to, and be approved by, your local health authority.
  - **Kitchen design:** A copy of your menu may be required for your [Health Operating Permit application](#).
  - **Liquor Licensing:** A copy of your menu may be required for your [Liquor Licence application](#).
  - **Zoning:** Knowing the type of restaurant you intend to open will help you find a location that is properly zoned.
  - **Waste Disposal**
- **Food Service Permit** British Columbia: Every operator of a food service establishment must have a valid annual permit.
- Food service establishments include:
  - Restaurants                      take-outs                      caterers    mobile food service providers

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## License, Permits, Regulations & Insurance

- **City of Vancouver Business Permits:** [Vancouver website](#)
- **Food Safe Certification for Workers** [British Columbia website](#)
  - Every operator of a food service establishment must hold a certificate, issued by a health official, for the successful completion of the food handler training program known as FOODSAFE or its equivalent.
  - Every operator of a food service establishment must ensure that, while the operator is absent from the food service establishment, at least one employee present in the establishment holds the certificate referred to in subsection (1).

**BC Food Premises Regulation** [British Columbia website](#)

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## License, Permits, Regulations & Insurance

- **Liability Insurance** [CANADA](#)
- Example [website](#) Federated Coop Insurance
  - Fire
  - Premises
  - Crime
  - Food: Most common risk?
  - Cyber
  - Business interruption, liability, employees, damage, crime
- You will likely need liability insurance if you have any equipment, or rent space somewhere. It doesn't have to be connected to industrial production.

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## Wrap-up Summary: Operations Plan

- Defines how product or service will be produced and how business will be run
- Sections:
  1. Operating Model and procedures: **backstage** and **“front stage”**
  2. Business location
  3. Facilities and equipment
  4. Human resource requirements
  5. Product property: patents, trademarks, copyrights, or trade secrets
  6. License, Permits, Regulations & Insurance
  7. Risk management plan
- Vary in depth and breadth with business idea

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- End of slides

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