1. **Operations Plan (LINDA)**

An operations plan for Mala’ai will serve as guidance on their current standing, strategic goals, resource requirements, and future milestones. As a non-profit, Mala’ai must take advantage of the government grants available to them in order to lower the initial cost of investment. Private donations through school fundraisers or online crowdfunding will assist with not only the initial costs but can be utilized throughout the life of the herbal tea product which will be discussed in the marketing plan. While revenue from the tea will be low at the onset of production, that is not unexpected for the launch of a new product and is actually quite typical. Mala’ai goal is to solidify their community relationships and spread their mission statement using their herbal tea as the delivery.

*Production*

Processing the tea at Waimea Elementary School will be the most cost effective option due to the assistance from the school, including the use of electricity and water. The building of the agriculture shed on the premise will allow for efficient packaging and inventory control.

If for unforeseen reasons, the shed is unavailable for tea production alternatives can be found in local community kitchens. The Kohala Center will be opening a certified kitchen in Waimea and though prices are not yet established, the Kohala Center expects to charge approximately $18 an hour for use of its facilities. There are also plans to have a packaging services for small local businesses that can be utilized. This alternative is not to be used for long-term production or distribution but can be considered if there is a high yield in upcoming harvests.

Capital expenditures listed on the financial analysis (Table #)such as dehydrators, vacuum sealers, package materials and agriculture shed are not exorbitant for a start-up but Mala’ai’s non-profit status alleviates these costs with the aforementioned grants and donations.

The estimated equipment needs from Table # should suffice with the amount of product Mala’ai can produce at this time. Replacement equipment for the major component of the tea production- the dehydrators are not expected to replaced due to 10 year warranty on researched dehydrator model. As capital expenditures are purchased, the quality of the product and not only cost should be taken into account.

However if tea production was to increase due to high demand more purchases would be needed. Mala’ai can also reduce costs by purchasing refurbished equipment online or locally.

A high demand of the herbal tea product will result in more plants and more land that is needed to grow the herbs. Mala’ai is in a unique situation with the school and it is difficult to estimate the amount of land that Mala’ai will have access to in the future if they continue to grow the herbal tea business. Electricity and water bills may come into play if Mala’ai expands. At this time, Mala’ai’s needs can be managed with the equipment outlined in table#.

All aspects of the production and packaging process would be met with the hiring of a Tea Product Manager. Harvesting plants would likely be a group effort from other associates in the organization along with volunteers and students. The Tea Product Manager would organize and train volunteers for packaging the product.

Procedures in how to clean the herbs, dry, weigh and place in individual tea bags must be explicitly stated and documented to ensure quality control. Utilizing volunteers will be pivotal in keeping labor costs down. Though students at Waimea Elementary work in the garden, the labor involved with tea packaging will most likely be delegated to adult volunteers working in shifts. However, students can assist in packaging as a hands on experience of manufacturing a product but cannot be relied upon as the main source of labor.

*Supply and Distribution Management*

Mala’ai has a strong relationship with its current buyer, Village Burger and the focus should stay on local businesses on the Big Island. The small community of Waimea allows for Mala’ai to form meaningful relationships between itself and local businesses. Initial research shows small local grocery stores (Island Naturals Market and Waikoloa Village Market) in favor of stocking a locally made tea product with no minimum orders and little to no stocking fees. These businesses merely required a GE tax license in order to place a tea product on the shelves. Mala’ai would do best to find these buyers for initial product distribution. Large chain store, Foodland Farms, had a more rigid process of buying products which included sending a sample to their main offices on Oahu for a taste testing and further review.

The financial analysis shows retail sales rather than bulk sales have a slightly higher profit margin. Strategically, Mala’ai should focus on retail stores based on the additional profit margin and the opportunity the product will be in a place with more foot traffic for potential customers. However, this does not mean to forego bulk sales completely. Having another restaurant besides Village Burger can help Mala’ai expand to other parts of the Big Island. Choosing a bulk buyer will need to be strategic on Mala’ai’s part. Since yield or delivery of the tea product may be uncertain at the start of this tea production program, a buyer who is empathetic to a possible inventory fluctuation is ideal. In a retail situation a box store such as Foodland or Safeway will be more stringent on order quantities and expectations of set deliveries. Many business who rely on fresh products that are locally sourced understand the intricacies of supply availability and these business will make the best partners.

Choosing a bulk buyer who also will promote Mala’ai’s product and cause. This is just as important at the beginning stages of the product for marketing purposes. If retail stores or restaurants are selling Mala’ai’s tea product, Mala’ai’s logo and mission should be known by those that are selling or serving the tea in order to convey what Mala’ai does for the community.

Besides retail and bulk sales, Mala’ai can consider selling the tea product as fundraising items be it at school functions or at farmers’ markets. Though this is more labor intensive, Mala’ai could form their own narrative on their tea product that the middlemen at the local grocery store or restaurant cannot convey.

It is Kokua Consulting recommendation that distribution should remain in the Big Island for future sales until more revenue from the herbal tea product has been realized. At that time, Oahu would be the next logical choice with a goal in selling at health related stores such as Whole Foods Market or restaurants that use locally sourced products such as 12th Avenue Grill, Seed or Town.

*Internal Organization*

After the basic necessities of producing the tea is met, the organization must look within to see if any resource gaps exist. Introducing a retail product is a large undertaking for any company and for a non-profit it could be even more daunting due to financial limitations.

Up to 80% of businesses fail within the first year. One of the tips of having a successful business is ensuring the staff has specific and defined roles. With a small crew heading the garden currently, the introduction of a retail product will likely cause a change in everyday duties for some associates.

Kokua Consulting recommendation is to hire a Tea Product Manager. This staff member would responsible for the harvesting and processing the plants along with packaging and distributing the merchandise. This position will also be in charge of training and organizing volunteers to assist in any of the tea production process.

The Tea Manager but also the Program or Executive Director can assist in forming relationships with businesses to help promote the product and have a steady list of buyers at hand.

This group will also work as a team to come up with specific marketing strategies including packaging design and future product variations.

*Measure of Success*

Goals for the Mala’ai tea product must be S.M.A.R.T – Specific, measurable, actionable, realistic, and time bound.

Precise data needs to be recorded at every step of the tea production process. This includes using a standard unit of measurement when weighing plants ensuring products sold to retail or bulk industries are priced accordingly. This will allow the most accurate data to be placed in financial statements which will result in better forecast.

Actively seeking feedback from retailers, restaurants and the community at large can lead to suggestions for new product ideas and potential buyers.

Measuring a growing customer base will be an indicator of Mala’ai’s success and relatively simple to track as a SMART goal. For example, Mala’ai can set a goal of contracting with 3 retail buyers and 2 bulk buyers within 1 year.

Many business have difficulties earning profits their first year. Success for Mala’ai related to financials could be to breakeven their first year. Exhibit is available for forecasting and can be used to predict the scenarios where this would occur.

1. **Marketing and Sales Plan (LINDA)**

Today, consumers aware of social issues and look for businesses that want to impact the world in beneficial way. Many for-profit companies have looked to corporate social responsibility (CSR) plans to show consumers that their businesses are respecting people and the environment. This is more than a one-time donation but a mission to do good in the world. A prime example would be TOMS shoes that gives one pair of shoes to a needy child for every pair sold. The company has taken it one step further and has built a factory in Haiti that is to employ 100 locals. We are in an age of Compassionate Consumerism, where companies not only compete on products but they compete on their values. Giving customers a feeling of doing good is good for business. As these for-profit companies focus on the 3 Ps associated with CSR – People, Planet, Profit. Mala’ai is already in a position to take advantage of the rise of compassionate consumers.

A non-profit that has employed a successful earned income strategy selling 200 million boxes a year that generated $700 million dollars. This empire began in 1917 with a simple sugar cookie recipe and has evolved to include twelve varieties, online sales and brand extensions like the nestle crunch girl scout cookie bar and even licensing with Yankee Candle. For and non-profits alike can benefit from society’s shift to conscious consumerism.

*Product offerings*

The first tea product will be of a base recipe of 4 herbs - mamaki, lemon verbena, tarragon and jamaican mint. Success of this base recipe will determine if more varieties should be produced. In the food industry, horizontal segmentation is the practice of trying to find different varieties of a product to reach everyone instead of finding one thing a majority of people will like. To ease into this method, Mala’ai can offer limited-time flavors that gives an aura of exclusivity. This is used frequently during holidays with peppermint or cinnamon or during the summer with fruit infused herbal teas.

One important reminder is to get feedback from customers on what they are looking for in order to put a well-received product. Also research competitors and see if there is a product that is missing in the market.

*Pricing*

Mala’ai’s tea product will be priced based on the current market. Studies have shown that consumers will pay a premium price for those companies they feel sell ethically produced goods and even more interestingly these consumers will punish companies they feel sell unethically produced goods by only buying at a deep discount.

http://www.wsj.com/articles/SB121018735490274425

*Promotions*

Differentaion for Mala’ai’s tea product will be the key to its success. As mentioned in the SWOT analysis there are several Big Island tea companies vying in the market. The values and mission of Mala’ai must be communicated clearly and compellingly.  The product must articulate why a customer should buy a Mala’ai product. Without an advocate from Mala’ai farms in the grocery store aisle, the packaging must state why Mala’ai is better than the competition.

The design of the packaging can be taken from the Girl Scout cookie handbook. Showcase children working in the garden, learning new skills with smiles on their faces. The back can have a more detailed explanation of the school garden and what it promotes. The message should educate the consumer on Mala’ai but also dwell on the fact they are a doing good by purchasing the Mala’ai tea. This is an opportunity to sing the praises of the community garden and stroke the ego of your potential customer.

In addition, if a grocery store endcap could be set aside for Mala’ai’s product or a displayed to stand out from the other specialty tea would be even more advantageous.

Village Burger sells Mala’ai tea but there online menu shows no indication of this.

In fact nowhere on Village Burger’s site does it mention a tea product. Unfortunately this is a lost opportunity and going forward a seller of Mala’ai tea should actively promote the product and have logo or signage of the tea product visible to customers.

Kokua Consulting is not recommending allocating large amount of funds for traditional advertising such as print or television ads at this time. There are several l options Mala’ai can advertise- non-profit newsletters, Mala’ai’s website, farmers’ markets and buyers such as Village Burger. Mala’ai should also request to be featured on local news station or Hawaii publications such as Pacific Business News or Honolulu Magazine. These alternatives can provide much needed exposure without the cost of traditional ads.

Market research indicated millennials are a large potential customer base. Maintain social media accounts such as Instagram and Facebook will be necessary in order to connect with this demographic, but again, this is a much less expensive form of traditional advertising.

*Distribution*

As mentioned in the Market and Sales research, Mala’ai would consider Waimea their initial location for distribution. Mala’ai tea would be found in small, natural food grocery stores. Restaurants known for using locally sourced produce and natural ingredients will also be excellent partners.

As Mala’ai expands to outer islands, the tea product will be found in similar health food related stores and restaurants. Eventually online sales will be available once economies of scales are met.

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Girl Scouts

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1. **Milestones (LINDA)**
   1. **Recommendations and target dates**

A successful product launch is quite possible with Mala’ai’s reputation in the community and the favorable response of the product currently on the market. Keys to achieving this goal includes three important factors.

1. Buy-In. Mala’ai must have buy’in from staff and board members.
2. Realistic Expectations. Profits may not occur the first or second year of production.
3. Differentiation is crucial in this competitive market. Mala’ai must capitalize on their non-profit status and the role in the community. Reach out to the compassionate consumer as they are open to paying premium prices for your product.

Below is a suggested timeline of key events for Mala’ai. The first is to acquire the land necessary to have a positive NPV. Hiring a Tea Product Manager and building relationships with buyers will lead to a successful launch in six to seven months time.

http://www.tgci.com/sites/default/files/pdf/Weighing%20Options\_0.pdf

