



Team 4

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- 1 Situation Audit
- 2 Problem
- 3 Recommendation
- 4 Forecasting

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# Situation Audit

- Basic Description
- SWOT Analysis
- Assumptions

# 1. Situation Audit | Basic Description

		<b>Per barrel</b>	<b>% of net revenue</b>	
Net revenue	\$ 906,446	\$ 225.55	100.0%	\$
Cost of goods	446,776	111.17	49.3%	
Gross profit	459,670	114.38	50.7%	
Advertising, promotional and selling expenses	244,213	60.77	26.9%	
General and administrative expenses	78,033	19.42	8.6%	
Impairment (gain on sale) of assets, net	(235)	(0.06)	0.0%	
Total operating expenses	322,011	80.13	35.5%	
Operating income	137,659	34.25	15.2%	
Other expense, net	(538)	(0.13)	-0.1%	
Income before provision for income taxes	137,121	34.12	15.1%	
Provision for income taxes	49,772	12.38	5.5%	
<b>NET INCOME</b>	<b>\$ 87,349</b>	<b>\$ 21.74</b>	<b>9.6%</b>	<b>\$</b>



Boston Beer Company



## Income Statement

	2018	% of Rev.
Taprooms bars	23,479.00	
Sales Retailers	9,786.00	
Sales Direct (Farmers' market) discount	20,447.00 5,901.00	
Total Revenue	47,811.00	
COGS	11,070.00	23%
Gross income	36,741.00	
Supplies - FIX ASSET	20,000.00	
Salary, wages & contractors	21,669.00	45%
Ads	2,730.00	6%
Rent		
Facilities	10,942.00	23%
Other Expense	7,300.00	15%
Legal & Professional	1,366.00	
Taxes & license	5,472.00	
Miscellaneous	418.00	1%
Total Expense	69,897.00	
Net income	(33,156.00)	
Other income	8,500.00	
Comprehensive income	(24,656.00)	

# 1. Situation Audit | Basic Description



## Activity Based Cost

	Taprooms, bars	Sales Retailers	Sales Direct (Farmers' market)
Revenue	23,479.00	9,786.00	20,447.00
Discount	(2,579.49)	(1,075.13)	(2,246.38)
<b>Net Revenue</b>	<b>20,899.51</b>	<b>8,710.87</b>	<b>18,200.62</b>
Supplies	(3,346.10)	(2,001.82)	(3,346.10)
Gross Profit	17,553.41	6,709.05	14,854.51
Salary wage, contractors	(9,472.12)	(3,947.96)	(8,248.92)
Utility	(363.38)	(127.13)	(212.49)
Repair&Maintenance	(232.60)	(81.37)	(136.02)
Ads	(1,193.36)	(497.39)	(1,039.25)
Facilities	(5,655.92)	(1,978.67)	(3,307.41)
Insurance	(1,084.51)	(452.02)	(944.46)
Miscellaneous	(182.72)	(76.16)	(159.12)
Shipping	(882.98)	(368.02)	
Car, truck&travel			(376.00)
Farmers Market rent			(2,039.00)
<b>Gain/(Loss)</b>	<b>(1,514.18)</b>	<b>(819.67)</b>	<b>(1,608.17)</b>
<b>Loss/ Revenue</b>	<b>-7.25%</b>	<b>-9.41%</b>	<b>-8.84%</b>



# 1. Situation Audit | SWOT Analysis



- Niche market
- Sell directly to the end user
- Gluten free



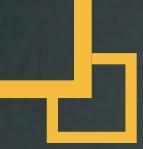
- Traditional marketing method failed
- Limited bottle available



- 30% of Americans want to avoid gluten in their diets
- 28% of beer drinkers would like to try something different
- Almost 400 breweries in New York State



- Competitors from different sectors



# 1. Situation Audit | Assumptions

- The founder invests as one time setup cost of **\$20000** for supplies
- Price per keg sales to taprooms is **\$120**. Price to restaurants and wholesalers is **\$200**. Price to direct sales is **\$250**. Average price is **\$199**
- The production capacity remain the same (**23 keg/month**) for old facilities
- Distributor will take **30%** of sale price as contract fees
- There are 4 employee in ABB company. So we assume the wage for a new worker per year is  **$\$21699/4 = \$5424$**

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# Problem

- Finance
- Marketing



## 2. Problem | Finance

- Retailers  
65 wholesalers VS. 18% of Revenue
- Production bottleneck  
Production: 23keg /month vs. Demand: 30keg/month  
Increase in Demand
- Not enough sales  
Operating expense > net revenue

	Percentage	Revenue (\$)	Production (keg)
Taprooms bars	43.71%	20,899.51	124.50
Sales Retailers	18.22%	8,710.87	43.55
Sales Direct (Farmers' market)	38.07%	18,200.62	72.80



## 2. Problem | Marketing

- Traditional method



- Social Media

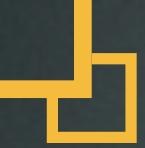


- ROI ?

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# Recommendation

- Promotion
- Expansion



### 3. Recommendation | Promotion

Farmer's market



Pop-up Event



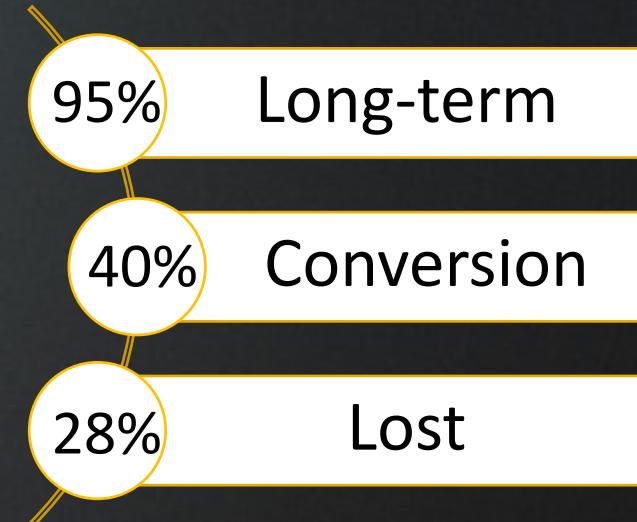
Instagram

YouTube

### 3. Recommendation | Promotion

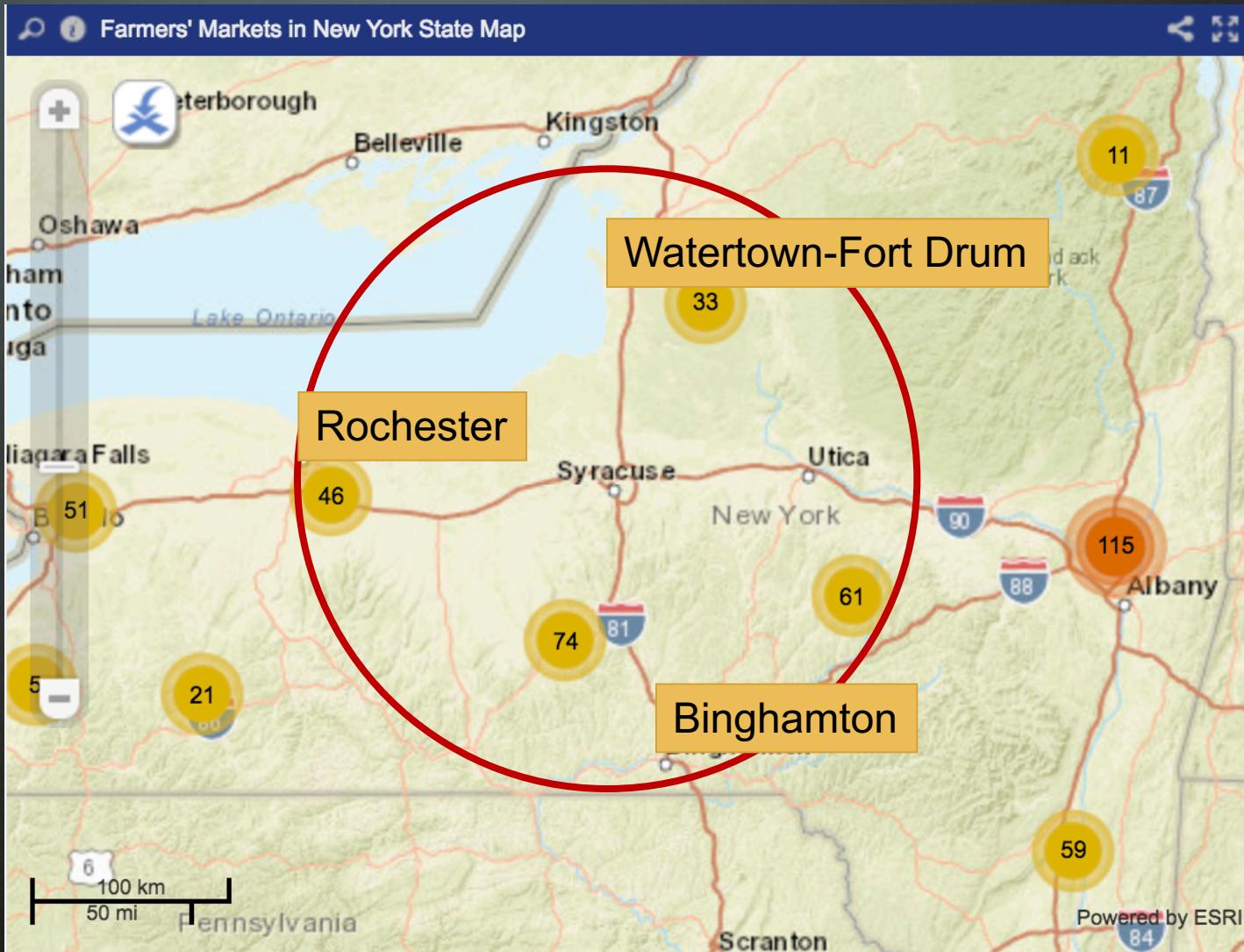


Face to Face  
Communication



Word of Mouth → Future Expansion

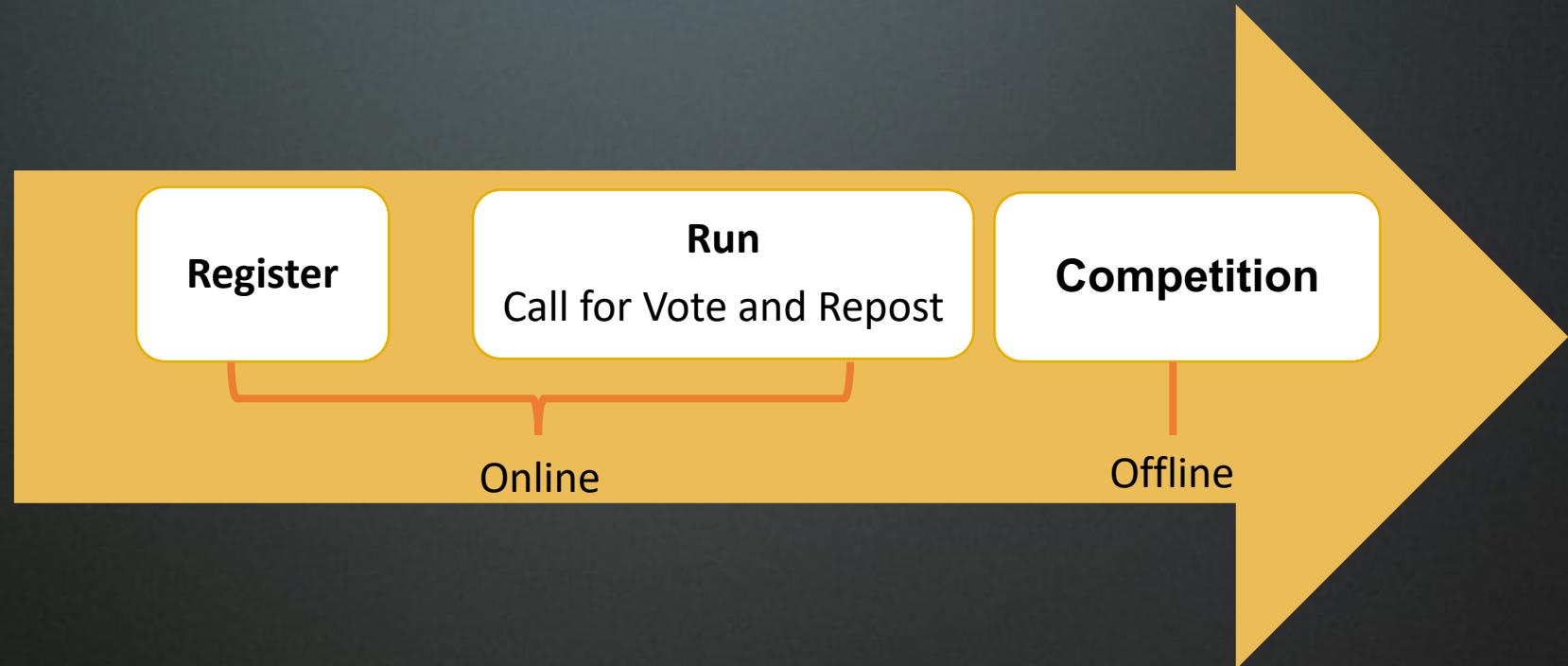
### 3. Recommendation | Promotion

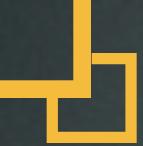




### 3. Recommendation | Promotion

Pop-Up  
Events





### 3.Recommendation | Promotion

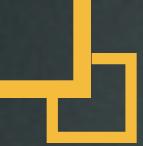


With over **4 billion** views every single day, YouTube is quickly becoming the new revenue stream for retailers to advertise and promote their products

---- YouTube Advertising for Retailers

According to Google, **47%** of U.S. adults **aged 18 to 54** say YouTube helps them at least once a month when making a decision about buying something – that's an estimated **70 million** people going to YouTube every month for help with a purchase.

----- How YouTube "TrueView for Action" Works



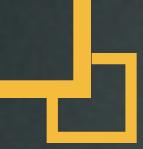
### 3.Recommendation | Promotion



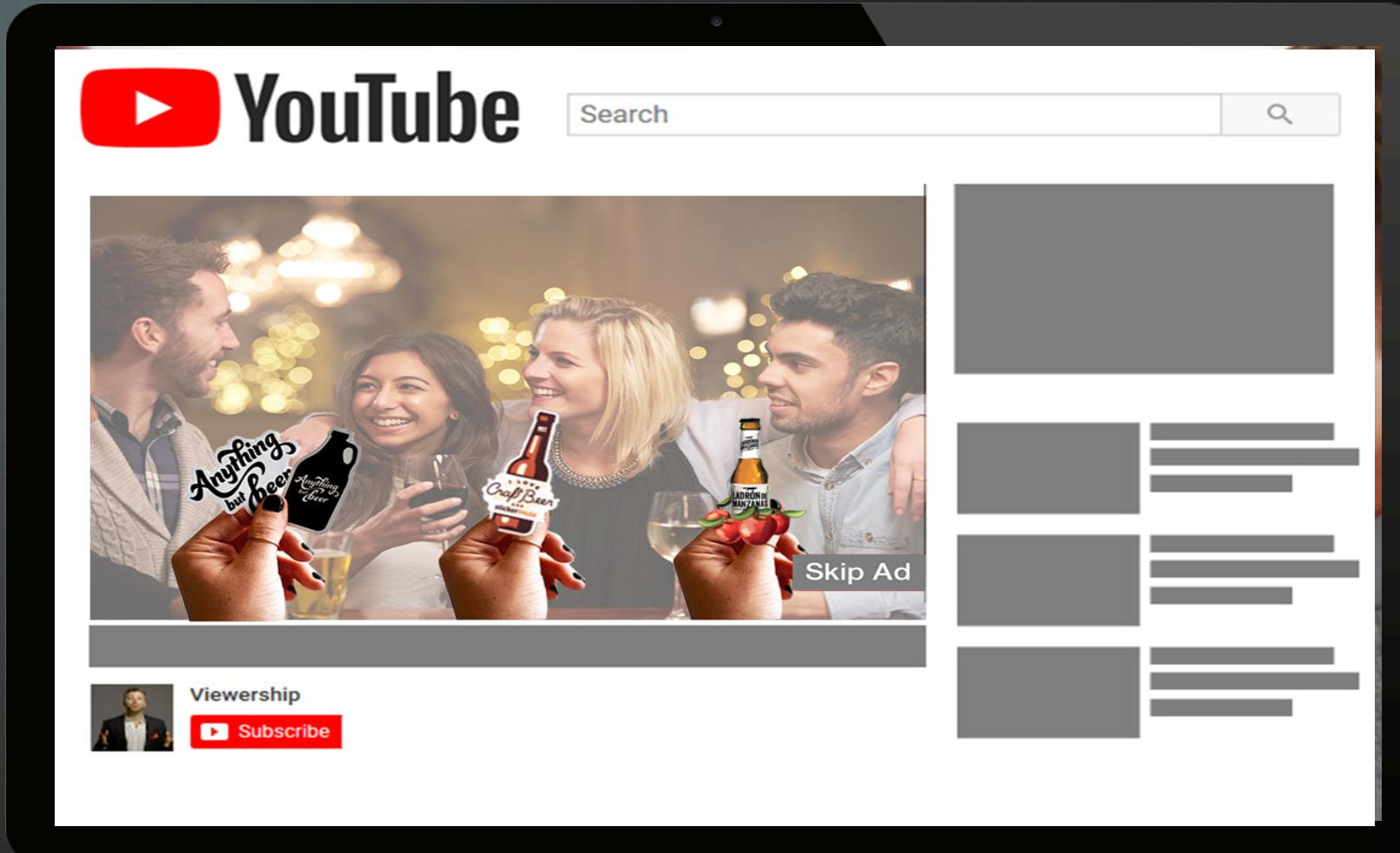
## TARGET

The Ads

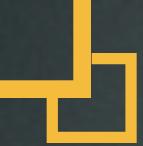
- Demographic: 21 years-35 years
- Geographic: Syracuse local
- Language: English



### 3. Recommendation | Promotion



**TrueView** in-stream ads  
Interactive



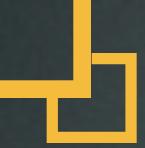
### 3.Recommendation | Promotion



- **75%** of Instagrammers **take action** after being inspired by a post
- **500 billion** daily active users
- over **40 billion** photos shared to date

“**40 %** of people will respond better to visual information than lain text.”

---- Why Startup Should use Instagram For Marketing



### 3.Recommendation | Promotion



- 1 **Cross-promotion Strategy**
- 2 **Drive Traffic from the Feed**

### 3. Recommendation

### Promotion

Instagram

#### 1 Cross-promotion Strategy

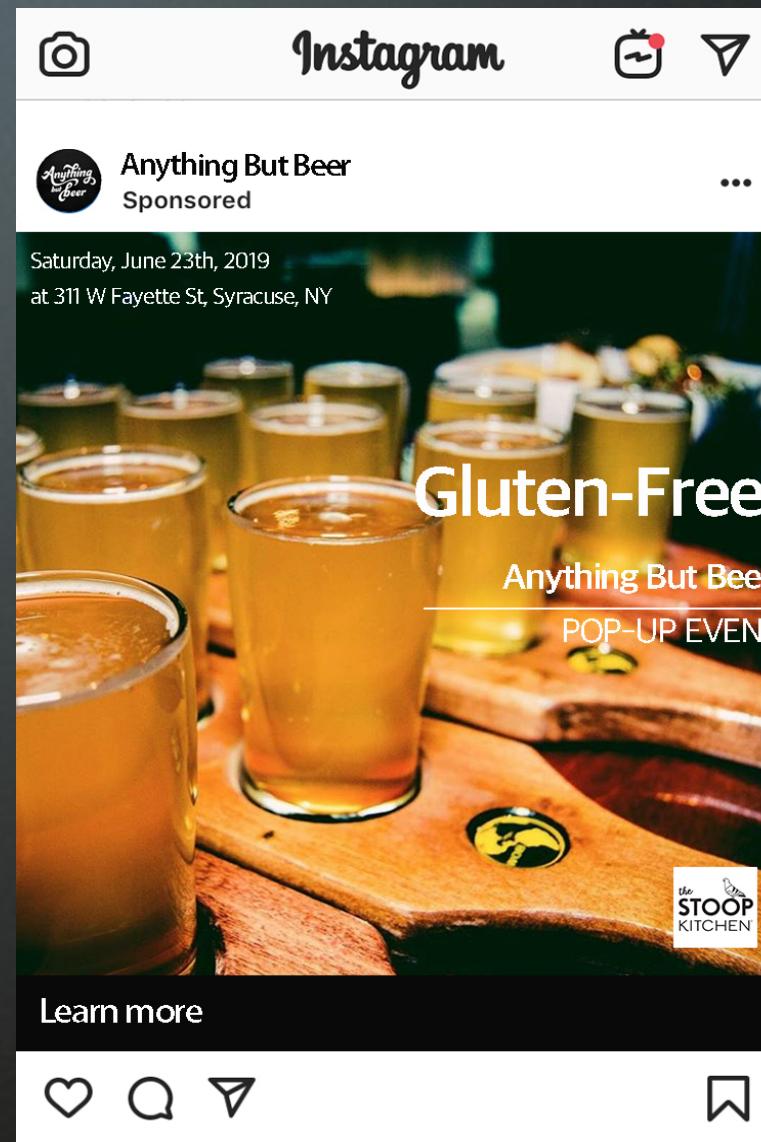
Account Icon	Account Name	Followers
	Anything but beer	1,630
	1911 hard cider company	11.5 k
	Beak and Skiff	10.2 k
	Angry Orchard Cider	59.7 k
	angryorchardwalden	4199
	shorepointdist	10.7k

### 3. Recommendation

### Promotion



② Drive **Traffic** from  
the  
**Feed**



Use CTA button



### 3. Recommendation | Promotion

#### Social Media ROI Forecasting

	YouTube
CTR(Click Through Rate)	2.50%
CVR(Conversion Rate)	9%
Syracuse Household Population(21-50)	57,183
Syracuse Graduate Student	7,000
New York State annual beer cosumption per capital	1keg
active YouTube users among U.S. population	85%
Expected sales(keg)	122.7
	Instagram
CTR(Click Through Rate)	2.50%
CVR(Conversion Rate)	13%
Syracuse Young Population(21-30)	24,590
Syracuse Graduate Student	7,000
New York State annual beer cosumption per capital	1keg
active Instagram users among people under 30	75%
Expected sales(keg)	77.0



### 3. Recommendation | Expansion



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### 3. Recommendation | Expansion



#### Support

- Demand > Current Production Capacity
- Not intended to find contractors
- Affordable cost on expansion



#### Potential Risk

- Capital expenditure to maintain and improve these facilities
- Incur significant fixed operating costs
- Inflexibility

Hard to handle market change



### 3. Recommendation | Expansion



#### Action Plan

	Hiring Plan	Labor cost (\$)	Facility Rent (\$)	Productivity (Keg)
2019	two full-time	10,834.50	10,942.00	543
2020	two full-time + one part-time	13,543.13	6,565.20	760
2021	three full-time	16,251.75	5,689.84	988



### 3. Recommendation | Expansion



**Shipping**



**Support**

- Distributor 30% Price VS. Driver Salary
- Distribution Areas: Close to Syracuse



**Potential Risk**

- Decrease flexibility of operation
- Restriction on delivery areas

Future expansion

Weather conditions



### 3. Recommendation | Expansion



#### Action Plan

	Hiring Plan (Drivers)	Shipping (\$)	Vehicle Investment (\$)	Depreciation (\$)	Shipping Cost (\$)
2019	one full-time	5,417.25	10,000.00	2,000.00	6,601.06
2020	one full-time + one part-time	8,125.88	10,000.00	4,000.00	9,099.80
2021	two full-time	10,834.50		4,000.00	1,273.05

# 4

# Forecasting

- Cash Flow Forecasting
- NPV Analysis

# 4. Forecasting

## Cash Flow Forecasting

growth rate	
first year-tap&farmer	150%
first year-rest&whole	100%
second year	40%
third year	30%
	Unit: \$
COGS rate per keg	45.96
shipping per keg	7.44

	Cash Flow Forecast			
	2018	2019	2020	2021
Initial investment	30,000.00			
Financial Activities	8,500.00			
Operating activities				
Sales:				
Taprooms bars	20,899.51	44,799.02	62,718.63	81,534.22
Sales Retailers	8,710.87	17,421.75	24,390.45	31,707.58
Sales Direct (Farmers' market)	18,200.62	45,501.54	63,702.16	82,812.81
Supplies	(11,070.00)	(24,962.09)	(34,946.92)	(45,431.00)
Wages	(21,669.00)	(32,503.50)	(35,212.13)	(51,463.88)
Ads	(2,730.00)	(4,449.23)	(4,649.23)	(4,849.23)
Shipping	(1,251.00)	(8,105.35)	(17,306.47)	(18,192.72)
Travel	(376.00)	(376.00)	(376.00)	(376.00)
Insurance	(2,481.00)	(2,481.00)	(2,481.00)	(2,481.00)
other	(418.00)	(418.00)	(418.00)	(418.00)
facility rent	(10,942.00)	(21,884.00)	(28,449.20)	(34,139.04)
farmers' market	(2,039.00)	(2,039.00)	(2,039.00)	(2,039.00)
repair and maintenance	(450.00)	(900.00)	(900.00)	(900.00)
Utility	(703.00)	(703.00)	(703.00)	(703.00)
Dep		(2,000.00)	(4,000.00)	(4,000.00)
One-time exp				
Legal	(1,366.00)			
lisence	(5,472.00)			
Investment Activities				
fix asset	(20,000.00)			
Net Cash Flow	5,344.00	6,901.14	19,330.29	31,061.74

## 4. Forecasting

NPV Analysis:				
Forecasting	2018	2019	2020	2021
Initial investment	(30,000.00)	(10,000.00)	(10,000.00)	
gain/(loss)	(24,656.00)	6,901.14	19,330.29	31,061.74
Dep		2,000.00	4,000.00	4,000.00
Re = 5%	41,332.08	(1,046.53)	12,090.97	30,287.65
NPV	(13,323.92)			

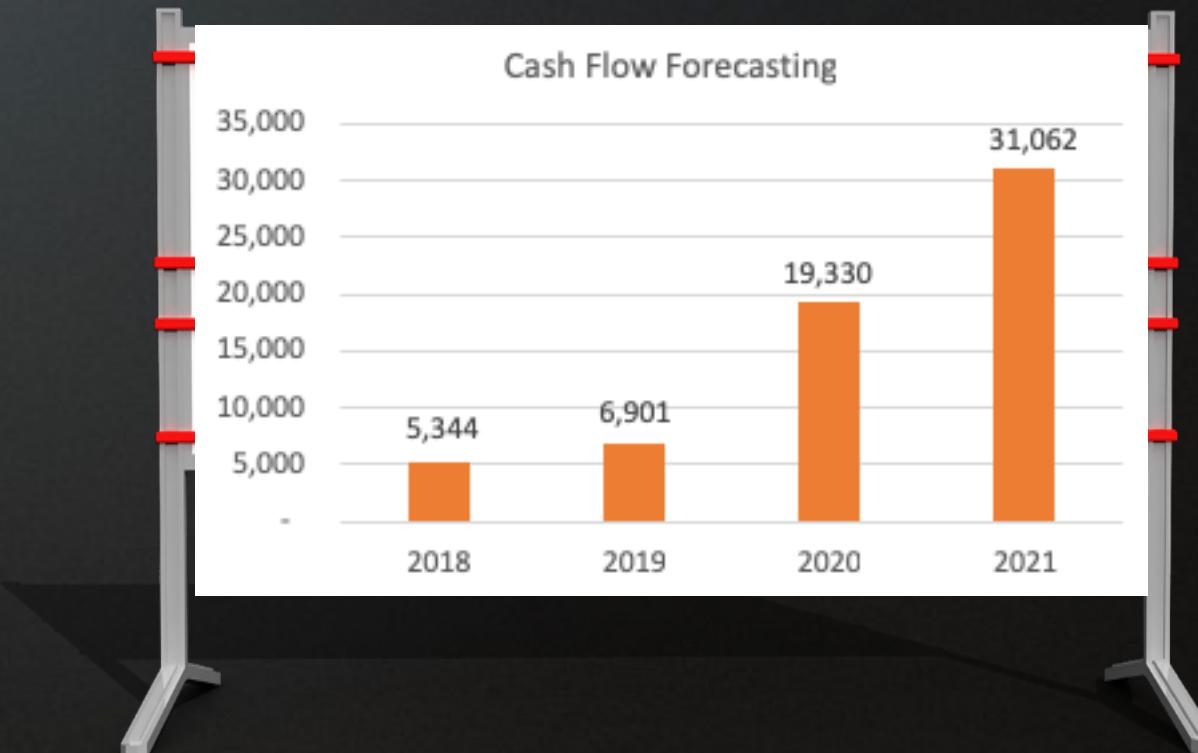
1 **NPV**

Expected to be positive on 2022

### Cash Flow Forecasting

2

Year by year increase





Thank You