

2 PRODUCTION EFFICIENCY

**RD-3
INVESTMENT**

***If you DID NOT invest
in RD-2: N/A***

***If you DID invest
in RD-2: \$75,000***

IMPORTANT: If you did not invest in RD-2, this investment is no longer available. If you invested in RD-2: RD-2 KPI Impacts DO NOT carry over into RD-3 unless you continue to invest.

After years of dedicated continuous improvement to your production operations, Alu's shop floor is hardly recognizable from where it started. Robust quality and maintenance systems are in place, product flows quickly through the shop and production teams eliminate problems as they arise; few things catch you off-guard anymore.

Production Efficiency requires continued investment to sustain these gains and drive deeper improvements that allow you to seamlessly integrate other investments such as automation and staffing changes faster and with greater impact.

If successful, this investment could deliver:

- A small increase in COSTS with significantly increased CAP from existing workers, through improved process, equipment and better factory layout
- Improved safety, fewer quality defects and almost no unplanned equipment breakdowns.
- Reduced working inventories, lower costs and improved working cash-flow

**READY
OR NOT
2.0**

3

EXPANDED 2nd SHIFT

**RD-3
INVESTMENT**

***If you DID NOT invest
in RD-2: \$100,000***

***If you DID invest
in RD-2: \$25,000***

IMPORTANT: If you invested in RD-2: RD-2 KPI Impacts DO NOT carry over into RD-3 unless you continue to invest.

Growth is often tricky and building the 2nd Shift gave you the CAP to quickly fill growing ORDERS. You enabled that growth while also learning how to adjust to the complexity of communicating across multiple shifts.

With two 2nd Shift production lines running, invest to keep them working and add additional temp and overtime workers to staff a third 2nd Shift production line.

This investment could deliver:

- 4,000 – 6,000 CAP annually
- \$4-\$5M in Revenue
- Improved ability to produce premium, customized SUPs
- Decreased order to delivery times

THIS INVESTMENT WILL ADD \$800K-\$1M AT THE END OF THE ROUND TO YOUR TOTAL COSTS TO ACCOUNT FOR YOUR HIGHER LABOR COSTS.

**READY
OR NOT
2.0**

4

SUPPLY CHAIN OPTIMIZATION

**RD-3
INVESTMENT**

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Your warehouse and logistics team investments improved internal efficiency and external relationships delivering increased capacity and lower costs.

Continue investing in software and data analysis to deliver a more intelligent supplier replenishment program while building the capability to predict and respond quickly to potential supply chain disruptions.

This investment continues developing deeper relationships with suppliers to further optimize payment terms, freight services and delivery times. Improved vendor relationships should reduce disruptions, improve productivity and reduce cash flow issues.

The investment could result in:

- Reduced operating, transportation and distribution costs
- Improved cash flow
- Reduced supply chain disruptions and unplanned factory downtime

**READY
OR NOT
2.0**

5

EMPLOYEE DEVELOPMENT

**RD-3
INVESTMENT**

***If you DID NOT invest
in RD-2: \$300,000***

***If you DID invest
in RD-2: \$75,000***

IMPORTANT: If you invested in RD-2: RD-2 KPI Impacts DO NOT carry over into RD-3 unless you continue to invest.

Investing in Human Resources and Employee Development paid off with reduced COSTS and higher CAP thanks to a significantly more flexible and motivated workforce.

Take the next step by hiring an HR firm to integrate a Human Resources Management System that rewards demonstrated skills and knowledge rather than tenure and relationships. This provides non-biased employee performance data to reduce the risk of bias in performance evaluations, compensation and promotions.

This investment also develops an internal career and succession planning program to smooth transitions when long-serving skilled employees eventually leave. This investment could result in:

- A true, merit-based, pay-for-performance system driving increased employee productivity and job satisfaction
- Reduced turnover
- Improved operational flexibility and fewer disruptions to business continuity

**READY
OR NOT
2.0**

6 MAXIMIZE BOUTIQUE SALES

**RD-3
INVESTMENT**

***If you DID NOT invest
in RD-2: \$225,000***

***If you DID invest
in RD-2: \$75,000***

IMPORTANT: If you invested in RD-2: RD-2 KPI Impacts DO NOT carry over into RD-3 unless you continue to invest.

This investment increased both ORDERS and ASP, delivering a positive ROI. Continue building and expanding Alu's brand by partnering with a marketing agency to attract new boutique store customers, deepen relationships with existing retailers and drive premium Direct to Consumer ORDERS.

. Hiring a marketing firm could result in:

- Higher customer lifetime value thru repeat sales
- Insights about consumers and their "purchase journeys"
- Improving the Alu.com website with a friction-free DTC consumer purchase experience
- Expanding marketing reach and reputation via earned media and social media campaigns
- Establishing Alu as a thought leader in the sport to build brand awareness, increase ORDERS and engage deeper with customers
- Mitigating risks of negative stories

**READY
OR NOT
2.0**

EXPAND 7 DISTRIBUTION CHANNELS: BIG BOX

**RD-3
INVESTMENT**

***If you DID NOT invest
in RD-2: \$300,000***

***If you DID invest
in RD-2: \$50,000***

IMPORTANT: If you invested in RD-2: RD-2 KPI Impacts DO NOT carry over into RD-3 unless you continue to invest.

Your investment helped Alu break into Richards, a big-box retailer specializing in sporting goods.

If you didn't have an optimized supply chain, you struggled to meet the challenging requirements in the contract and faced expensive charge backs from numerous late shipments. The high number of "rental returns" also introduced chaos as you needed to develop a whole new reverse logistics program.

Conversely, companies with an optimized supply chain met the contract terms on time and earned a substantial ROI.

Continue investing in the partnership with Richards, which is prepared to order even more boards this year.

If successful, this investment could result in:

- Establishing Alu as a top-tier SUP brand with national and international visibility
- 4,000-7,000 SUP orders
- Slight reduction in ASP



8 ENTERPRISE RESOURCE PLANNING

RD-3
INVESTMENT

***If you DID NOT invest
in RD-2: 125,000***

***If you DID invest
in RD-2: \$25,000***

IMPORTANT: If you invested in RD-2: RD-2 KPI Impacts DO NOT carry over into RD-3 unless you continue to invest.

The ERP investment allowed you to finally resolve several problem-causing inconsistencies between sales, finance and production and allowed Alu to overcome some growth hurdles that would have been nearly impossible using a combination of financial software and home-grown Excel spreadsheets.

Continue investing to ensure to integrate other departments such as shipping, so that you can make even better data-driven business decisions.

Additional ERP investment could deliver:

- Real-time sales, production, and financial data
- Predictive analysis to improve decision-making
- Identifying opportunities for reducing COSTS and increasing CAP, ORDERS and ASP
- Automating low-value, manual tasks allowing your team to focus on high-value initiatives to unlock growth

**READY
OR NOT
2.0**

9 IT & CYBER- SECURITY

RD-3 INVESTMENT

***If you DID NOT invest
in RD-2: \$75,000***

***If you DID invest
in RD-2: \$25,000***

IMPORTANT: If you invested in RD-2: RD-2 KPI Impacts DO NOT carry over into RD-3 unless you continue to invest.

Investing in IT Services hasn't delivered a strong ROI, but it provides protection from potentially costly cyber attacks and accidental malware installations.

Continue investing in hardware and software upgrades plus more robust cyber security protection, and ongoing support services.

This investment could result in:

- Improved credentialing and monitoring
- Reduced number of costly IT system disruptions
- Backup systems and regular software/firmware updates
- Reduced likelihood of cyber-attacks and reduced impact when and if they occur



10 ***PRODUCT LINE EXPANSION: INFLATABLES***

RD-3
INVESTMENT

***If you DID NOT invest
in RD-2: \$150,000***

***If you DID invest
in RD-2: \$50,000***

IMPORTANT: If you invested in RD-2: RD-2 KPI Impacts DO NOT carry over into RD-3 unless you continue to invest.

The contract with AIRHEAD succeeded in adding CAP & some ORDERS, but demand for inflatables was a bit underwhelming. The timing may have been off, and it is possible that changes in market trends could see greater demand if you invest in additional marketing and distribution for inflatables.

If successful, this investment could result in:

- A new product line of entry-level, inflatable SUPs that don't compete with Alu's existing premium boards
- Additional CAP to sell 3-7,000 SUPs annually without additional equipment or labor investments as AIRHEADS handles all manufacturing and shipping
- Estimated ASP of \$400 per board for the inflatables would result in \$50 per board profit for Alu. It would lower your ASP, but also lower your COST per board



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AUTOMATION & CO-BOTS

**RD-3
INVESTMENT**

***If you DID NOT invest
in RD-2: \$300,000***

***If you DID invest
in RD-2: \$200,000***

IMPORTANT: If you invested in RD-2: RD-2 KPI Impacts DO NOT carry over into RD-3 unless you continue to invest.

Alu's use of automation in its fourth line made a huge improvement in both CAP and quality – especially if combined with an investment in Production Efficiency.

Invest to modernize all Alu lines with automated shaping and cutting machines. Not only does it make those lines more efficient and improve quality, it frees workers for other value-added activities like customization, which can help raise ASP.

Expect to increase CAP by 3,500-4,500 boards, opening the door to \$3-4M in revenue with no change to existing staffing or labor costs.

Additional semi-automated lines could deliver:

- Reduced labor cost per board with only two workers running a line
- Ability to build more advanced, lighter weight and more customizable SUPs with the new capabilities of the high-tech machines
- Substantial CAP gains using your existing floorspace

**READY
OR NOT
2.0**