

1

BUSINESS GROWTH STRATEGY

**RD-2
INVESTMENT**

\$75,000

IMPORTANT: *If you've already invested in a Strategy, there is no need to invest again. You will get the positive KPI impacts at the end of the round. This is the only investment that impacts KPI's for the whole game.*

Decide quickly on this investment! If you decide to invest, immediately go to the teacher and ask for a Strategy Report that can help inform the rest of your RD-2 Investment decisions.

In addition to long-term vision and direction, strategic planning provided insight into opportunities to improve the day-to-day operation of the business including rethinking the \$1,000 price point assumption, allowing for increased margins and more cash for further expansion.

If successful, this investment could deliver:

- Insight into internal and external growth challenges
- A roadmap to help schedule investments and changes to unleash top-line growth
- Better relationships and strategic alignment from your most senior employees
- Data and insights, including market research, to help your team make the best decisions at the right times

**READY
OR NOT
2.0**

2

PRODUCTION EFFICIENCY

**RD-2
INVESTMENT**

***If you DID NOT invest
in RD-1: \$200,000***

***If you DID invest
in RD-1: \$75,000***

IMPORTANT: If you invested in RD-1, RD-1 KPI Impacts will not carry over to RD-2 unless you continue investing in RD-2.

RD1 gains were exciting, however, consistent improvement requires consistent investment and effort.

Expand your focus to organizational leadership practices to sustain existing and future improvements, including problem-solving behaviors, total quality management and predictive maintenance systems.

You will continue to use your existing footprint, employees and equipment for long-term efficiency improvements. This investment could make other investments more effective and could deliver:

- A small increase in Production Costs with substantial CAP improvements
- Increased safety and reduced downtime risks through improvements in preventative maintenance
- Reduced defects and improved first-time quality for safer, more durable SUPs
- Reduced working inventories driving reduced COSTS
- Improved product flow shortening Order to Cash cycles for improved cash flow

**READY
OR NOT
2.0**

3

EXPANDED 2ND SHIFT

**RD-2
INVESTMENT**

***If you DID NOT invest
in RD-1: \$75,000***

***If you DID invest
in RD-1: \$25,000***

IMPORTANT: If you invested in RD-1, you will lose all KPI Impacts if you don't continue investing in RD-2. Your 2nd shift workers won't work for free for two years just because you paid them in RD1!

The 2nd Shift delivered CAP, but depending on other investments, may also have exasperated inefficient processes, limiting your effectiveness at building more customized boards and growing ASP.

This investment pays to hire four additional line techs and three temps to expand into two 2nd shift production lines. It's a direct means of adding additional production capacity without investing in additional floor space or equipment.

An expanded second shift could deliver:

- 3-4,000 SUPs annually
- \$3-4 million in revenue (if you have the Orders)
- Improved capacity to produce high dollar, customized SUPs
- Decreased order to delivery times

ONLY THE \$75K or \$25K UPFRONT COST COUNTS AGAINST YOUR \$500K RD-2 INVESTMENT BUDGET, BUT THIS INVESTMENT WILL ADD UP TO \$600K AT THE END OF THE ROUND TO YOUR TOTAL COSTS TO ACCOUNT FOR PAYING THE ADDITIONAL EMPLOYEES.

**READY
OR NOT
2.0**

4

SUPPLY CHAIN OPTIMIZATION

**RD-2
INVESTMENT**

***If you DID NOT invest
in RD-1: \$150,000***

***If you DID invest
in RD-1: \$75,000***

IMPORTANT: If you invested in RD-1, you will lose all KPI Impacts if you don't continue investing in RD-2.

Improved internal warehouse, shipping and receiving processes allowed the warehouse and logistics team to reduce production delays and material costs last year.

Continue investing to optimize Alu's supply chain with a focus on material supplies and freight services. You'll hire a logistics specialist to establish better vendor relationships and improved payment and freight terms to improve supply chain reliability and reduce cash flow issues.

This investment could result in:

- Reduced operating, transportation and distribution costs
- Improved cash flow by negotiating better payment terms with suppliers
- Reduced supply chain disruptions and unplanned factory downtime with more intelligent supplier replenishment strategies
- Reduced outgoing delivery costs and disruptions by improving shipping and freight processes and partnerships

**READY
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2.0**

5

EMPLOYEE DEVELOPMENT

**RD-2
INVESTMENT**

***If you DID NOT invest
in RD-1: \$175,000***

***If you DID invest
in RD-1: \$75,000***

IMPORTANT: If you invested in RD-1, you will lose the KPI Impacts in RD-2 if you don't continue investing in RD-2.

The employee development program paid off with both COST savings and CAP increases thanks to a significantly more flexible and motivated workforce. Continue to develop employees and hire an HR specialist to ease the increasingly challenging HR load.

An HR specialist takes the paperwork off the HR Managers desk and helps reduce employee-related risks many businesses aren't fully aware of.

This investment could result in:

- Creating career pathways resulting in more engaged employees, reduced turnover, and lower COSTS
- Ensuring recruiting, retention and promotion processes are equitable and meet all stakeholder needs, including legal requirements
- Creating more effective recruiting and onboarding procedures, reducing turnover and reducing COSTS
- Increasing resilience to HR related downtime leading to increased CAP

**READY
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2.0**

6 ***MAXIMIZE BOUTIQUE SALES***

**RD-2
INVESTMENT**

***If you DID NOT invest
in RD-1: \$225,000***

***If you DID invest
in RD-1: \$100,000***

IMPORTANT: If you invested in RD-1: RD-1 KPI Impacts DO NOT carry over into RD-2 unless you continue to invest.

Investing in sales and distribution resulted grew ORDERS and ASP delivering a positive ROI. Continue building and expanding ALU's brand by hiring a marketing agency to help attract potential customers, engage existing customers and drive Direct to Consumer and retail sales.

Customers want to connect to your company's vision and feel their money is supporting a values-based business that contributes to the sport and community. If you're not in the conversation, the competition will be!

This investment could result in:

- Increasing customer loyalty
- Insights about customers and their "purchase journeys"
- Improving the ALU.com website with a friction-free consumer purchase experience
- Establishing ALU as a thought leader in the sport to build brand awareness, increase ORDERS and engage deeper with customers
- Reducing risks of negative stories

**READY
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7

EXPAND DISTRIBUTION CHANNELS: BIG BOX

**RD-2
INVESTMENT**

\$125,000

Web-based direct to consumer sales and brick and mortar boutique retailers have been the bread and butter of ALU's growth to date. However, if Alu were to break into big box retailers, it would provide access to a much larger customer base with vastly expanded national, and possibly even international, market penetration.

Typically, big box retailers push margins a bit lower, so while ORDERS may go up, ASP may go down.

There are a lot of hurdles to manage when partnering with a large retail chain as well, so you'd better have your operational eggs in order if you want to see these revenue and profit chickens hatch.

The potential benefits could include:

- An initial increase of 1,000-3,000 ORDERS
- Establishing Alu as a top-tier SUP brand with national and international visibility

**READY
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8 ENTERPRISE RESOURCE PLANNING

RD-2
INVESTMENT

\$100,000

Alu's rapid growth has brought complexity. Managing data from different supply and distribution channels and your need to make better informed financial and operational decisions has your head spinning. Investing in an ERP program and software could be the solution.

Collecting, managing and analyzing business data into actionable intelligence could improve business performance and drive operational excellence across Alu.

Investing in ERP could deliver:

- Real-time sales, production, and financial data plus predictive analysis to inform and improve performance management and decision making
- Finding opportunities to reduce COSTS, increase CAP, ORDERS and ASP; all of which may be hiding in data you don't currently collect, analyze, and in some cases, even know exists
- Automating low-value, manual tasks allowing your team to focus on high-value, strategic initiatives to unlock growth

READY
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9 ***IT & CYBER- SECURITY***

RD-2
INVESTMENT

\$50,000

Invest in IT services, hardware and software upgrades plus more robust cyber security protection.

A recent free consultation with a cybersecurity software company identified several network vulnerabilities, critical upgrades and the need for ongoing support services that would help ease the workload on your IT Manager.

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 a smaller impact when and if they occur

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

RD-2
INVESTMENT

\$150,000

AIRHEAD, a white-label manufacturer that specializes in making high-quality inflatable watersports products for outdoor industry brands, is offering to partner with Alu.

With a long history of making rafts and inflatable kayaks, they have recently developed an inflatable SUP and are seeking an up-and-coming brand to partner with.

A two-year partnership with AIRHEADS would allow ALU to market their high-quality inflatable SUPs to our existing wholesale customers and direct to consumer through ALU.com.

This investment could result in:

- A new product line of lower priced, entry-level, inflatable SUPs that don't compete with Alu's premium hard boards
- CAP increase of 3,000-4,000 SUPs without needing to purchase any equipment or hire any labor as AIRHEADS handles all manufacturing and order fulfillment
- The estimated ASP of \$400 per board for the inflatables provides \$50 per board profit for ALU. It would lower overall ASP, but also lower COST per board.

**READY
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11

AUTOMATION & CO-BOTS

**RD-2
INVESTMENT****\$100,000**

Build a new, semi-automated production line to maximize productivity in your existing factory space. This investment takes you into the future with the purchase of one CNC foam shaping machine and one automated wood laser cutter. This should allow the new line to produce more boards than the lines making 100% handcrafted boards.

The new line should only require hiring two new technicians to produce 1K-2K SUPs annually.

A semi-automated line could deliver:

- \$1M-\$2M in revenue if you have the ORDERS
- Reduced labor cost per board
- Ability to build more advanced, lighter weight and more customizable SUPs
- Substantial CAP gains using your existing floor space
- Increased revenue and margins

THIS INVESTMENT WILL ADD UP TO \$150K AT THE END OF THE ROUND TO YOUR TOTAL COSTS TO PAY FOR THE NEW EMPLOYEES & HIGHER MACHINE MAINTENANCE COSTS.

**READY
OR NOT
2.0**