



**OPERATIONS AND FINANCES OF ARTISANAL FOOD
DISTRIBUTION BUSINESS**

BY

MR. LEU-SHYUE CHEN

**AN INDEPENDENT STUDY SUBMITTED IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION
(GLOBAL ENTREPRENEURSHIP) INTERNATIONAL MASTER IN
BUSINESS ADMINISTRATION**

FACULTY OF COMMERCE AND ACCOUNTANCY

THAMMASAT UNIVERSITY

ACADEMIC YEAR 2015

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INDEPENDENT STUDY

BY

MR. LEU-SHYUE CHEN


ENTITLED

OPERATIONS AND FINANCES OF ARTISNAL FOOD DISTRUBITION BUSINESS

was approved as partial fulfillment of the requirements for
the degree of Master of Business Administration (Global Entrepreneurship)

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ABSTRACT

Good Eats is a company established to connect artisanal food producers directly to their customers. Instead of going through the multiple channels, customers are able to obtain healthier and safer artisanal food products from a variety of producers. Currently the company distributes made-to-order food products and fresh goods from original producers & farmers to end consumers utilizing e-commerce platform and specialties in food logistics service. Three graduate students while attending the IMBA program at Thammasat University founded the company. The company is keen to figure out food logistics for small-scale food producers and source a variety of goods for their customers.

Still in its early stages as a business start up, Good Eats is looking at multiple models and market opportunities to be able to provide better food choices and processes that will revolutionize current food networks.

Keywords: Artisanal Food, Food Makers and Producers, Homemade Food Products, Clean Food, Food Entrepreneur, Distribution, Cold Chain Distribution

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Leu-Shyue Chen

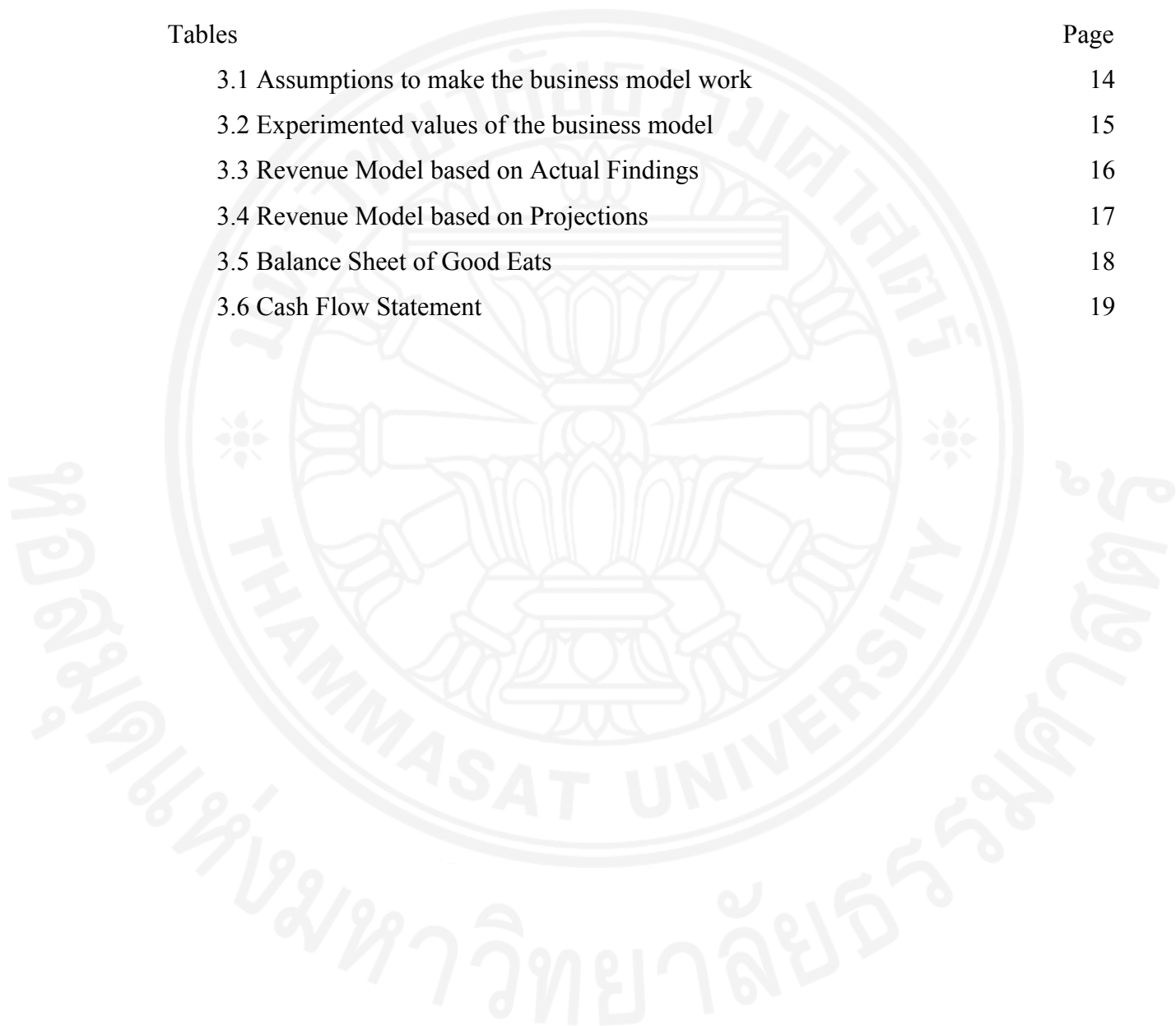
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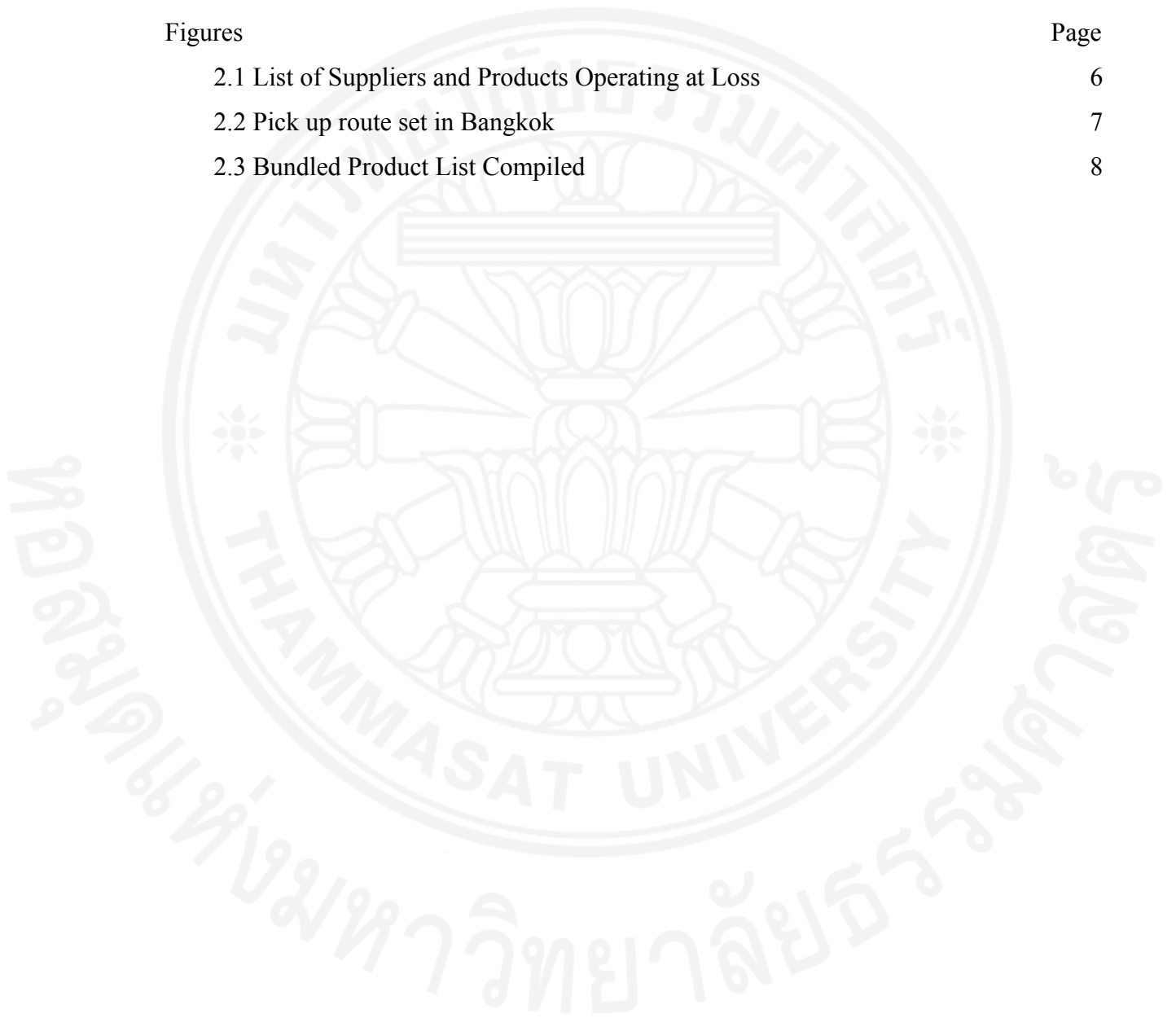
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CHAPTER 1

THE COMPANY

1.1 Company values

At Good Eats, we place the highest priority to the well-being of our customers, and therefore, we dedicate all of our efforts into seeking only the best quality of originally-made food products with no MSGs, no preservatives, with quality natural ingredients that are healthy and safe; currently we have over 100 food products listed. We deliver our products freshly prepared, with its nutritional values intact, heralding your good health straight to your door and distribute quality food product to end consumers nationwide to make a point that good food, tasty food and healthy food are more accessible than you think.

Collaborating with our like-minded producers, we deliver fresher food products directly to our customers, and heralding their good health. Moreover, we support the businesses of small local food producers by offering alternative distribution channels (e-commerce & logistics); connecting food producers to end consumers; reducing cost and increasing income

1.2 Mission and Vision

Our vision is to create an online food distribution company promoting better food choices and processes that will revolutionize current food networks.

Our mission is to distribute made-to-order food products and fresh goods from original producers & farmers to end consumers utilizing e-commerce platform and specialties in food logistics service.

1.3 Problem Statement

Small-scale food entrepreneurs are facing the difficulty to scale up as they have limited resources. They have to pay slotting fees to hypermarkets for their products to be placed along with a commission to the hypermarkets. In addition to this, they are lacking the resources and time to be able to deliver and meet all the demand of their customers.

1.4 Statement of Desired Future

Good Eats would engage in distribution of made-to-order food products and fresh goods from original producers & farmers to end consumers via utilizing specialties in food logistics service.

By 2018, we would like to have built our customer base to 400 orders per month at 1,000 THB per order, with over 200 suppliers on board and over 500 SKUs of made-to-order artisanal food products. Once the aforementioned goal is achieved, we will be operating at 6% net profit.

CHAPTER 2

OPERATIONS

2.1 Order and Inventory Management

Initially when we launched our website and services, we had to do everything on excel. The e-commerce platform we used, Shopify, was only able to give us information on each other. We had to take this information from Shopify and enter the details in a sheet to calculate all the goods we had to order from each supplier. This posed a problem as it took at least 1 to 2 hours to complete this task and it was very prone to human error. In addition to this, the inflow and outflow of goods along with new orders made it very hard to get a picture of the current inventory. We also made mistakes of reordering products as a result and had overstock issues. This prompts us to look for some particular tool that will help us in managing our inventory. After browsing in the web and crosschecking with Shopify, we found many different inventory management tools but chose “Tradegecko” for efficient workflow to link with Shopify.

Tradegecko brought us greater accuracy for reorders with suppliers. Once an order was placed, it was able to quickly linked to our reordering page which we could then easily send out a purchase order to our suppliers. Furthermore, we were getting orders through line or by enquiries through facebook. Whenever, the customer placed an order through these channels, we had to put it up in shopify and lose a commission for the order. When Tradegecko was implemented, all we had to do was enter a new order through Tradegecko to avoid losing this commission to Shopify.

2.2 Product Pick Ups

When we started interviewing artisanal food producers regarding an opportunity to distribute their goods, one of their main concerns was the delivery of their products to customers. We thought it will be a good to opportunity if we can figure out this problem and we decided to pick up the goods from the production location. We pitched this idea to a group of suppliers found at the Bangkok Farmers Market and they were interested in both the opportunity to sell and free up their time from having to do deliveries.

Once the website and our service was launched, the initial group of suppliers were still small so we were able to pick up most of the goods at the Bangkok Farmers Market. However, the demand of the goods increased and we were rolling out orders daily to satisfy the customers even though there was a single order. This proved quite difficult as the Bangkok Farmers Market was held only during weekends when we started but we had to deliver the goods during week days too. This was also harder for us as each supplier was located in different areas in Bangkok. It took almost whole day to compile all the goods to send out to the customer if done by a single individual. In addition to this, carrying all the goods around in a foam box or insulated material proved quite heavy to commute on public transport. Using a car was made us prone to heavy traffic and mess up our schedules.

Thus, we started to separate the zones in Bangkok for pick ups as our second prototype. Each of us had a zone where we were in charge of broken down into these main areas: The North East of Bangkok was covered by Pla, The South of Bangkok and along the BTS lines was covered by Lee, The East of Bangkok and around Asoke area was covered by Ploy and lastly we hired a motorcycle taxi to bring pick up goods from the West Side of Bangkok. All the goods were then brought to be consolidated and

packed at Aree. Then the goods were once again sent out to be delivered to the customers or dropped off at third-party logistics site.

This also prompts us to start requesting our suppliers for deliveries to our location at Aree to save our costs on transport as the more suppliers we got, the higher the cost that was incurred. However, we were rejected by most of the suppliers for a delivery at the location as it was quite far from most of them. We however persisted by pushing any new or potential suppliers to deliver to the Aree location or any of our homes.

We also started to test out having a motorbike taxi picking up goods from 5-6 suppliers in 1 round. They went around picking up the goods for us but came back with a really high price of 900-1050 Baht depending on the distance.

As most of the team was now handling suppliers, we realized it was impossible to grow without help. We started experimenting by obtaining the help of two people to use public transport such as the BTS & MRT to pick up goods from suppliers. Initially, we presented the idea to the suppliers that they drop off the goods at the BTS stations but we soon found out not all suppliers were willing to. We were still incurring the same cost or sometimes even more as our pick up team had to enter and exit the BTS at least two times for a pick up spot or travel further to reach the destination. In addition to this, when one of the team suddenly fell ill regularly, we had to change our plans and pitch in to get the orders.

We went back to look at the costs and as in Figure 2.1 we found out that a lot of our pick up was unsustainable as the average orders for each supplier dropped. This caused us to heavily doubt our value including the supplier's product. This led to further questions if it will be worthwhile to hire a person to do pick ups and deliveries. Currently, we've adjusted our pick up route to Figure 2.2. This pick up route helps us reduce some costs but the best scenario would be delivery by the suppliers to us. However, after

testing the route for some duration, we found out that the volume we were doing were too small for each supplier thus we started to sell our products in bundles as in Figure 2.3. This was also not successful as customers stopped buying after a month of testing. The main reasons that they stopped buying is that they didn't want an excessive amount of goods that they couldn't finish before it expired.

Supplier/Item	Quantity	RTP	Cost	Profit	Pick-up Cost	Profit/Loss	Breakeven Conditions
Skinni Bears							
No Butter M	1	240	204	36			
				36	100	-64	Ok for Order over 720 THB (Size M 3 pack, Size L 2 Pack)
Bake & Box							
Banana	2	85	72	26			
Sweet Potato	1	85	72	13			Need Higher GP
				75	300	-225	Ok for Order over 2040 THB (bundle 24 pack)
Paul							
Lavendar Shor	1	75	54	21			
				21	50	-29	Ok for Order over 200 THB (Bundle 3 Pack)
Simmer Smith							
Spicy Tomato	1	95	76	19			
Vegetable Sto	1	150	120	30			
				49	100	-51	Ok for Order over 500 THB (Bundle 5/6 pack)
Up							
Almond Milk	3	60	48	36			Ok for Order over 500 THB (Bundle 8 bottles)
Black Sesame	1	35	28	7			Ok for Order over 500 THB (Bundle 15 Bottles)
				43	100	-57	
Porkfloss							
น้ำพริกหน้ด	1	100	80	20			
				20	60	-40	Ok for Order over 300 THB (Bundle 3 pack)
MJIP							
Truffle Noir	1	200	160	40			
				40	50	-10	Ok for Order over 250 THB (2 pack +)
Soyo							
Vanilla	2	50	40	20			
Cocoa	2	50	40	20			
Berry	2	50	40	20			
				60	80	-20	Ok for orders over 400 THB (Bundle 8 Bottles)

Figure 2.1: List of Suppliers and Products Operating at Loss

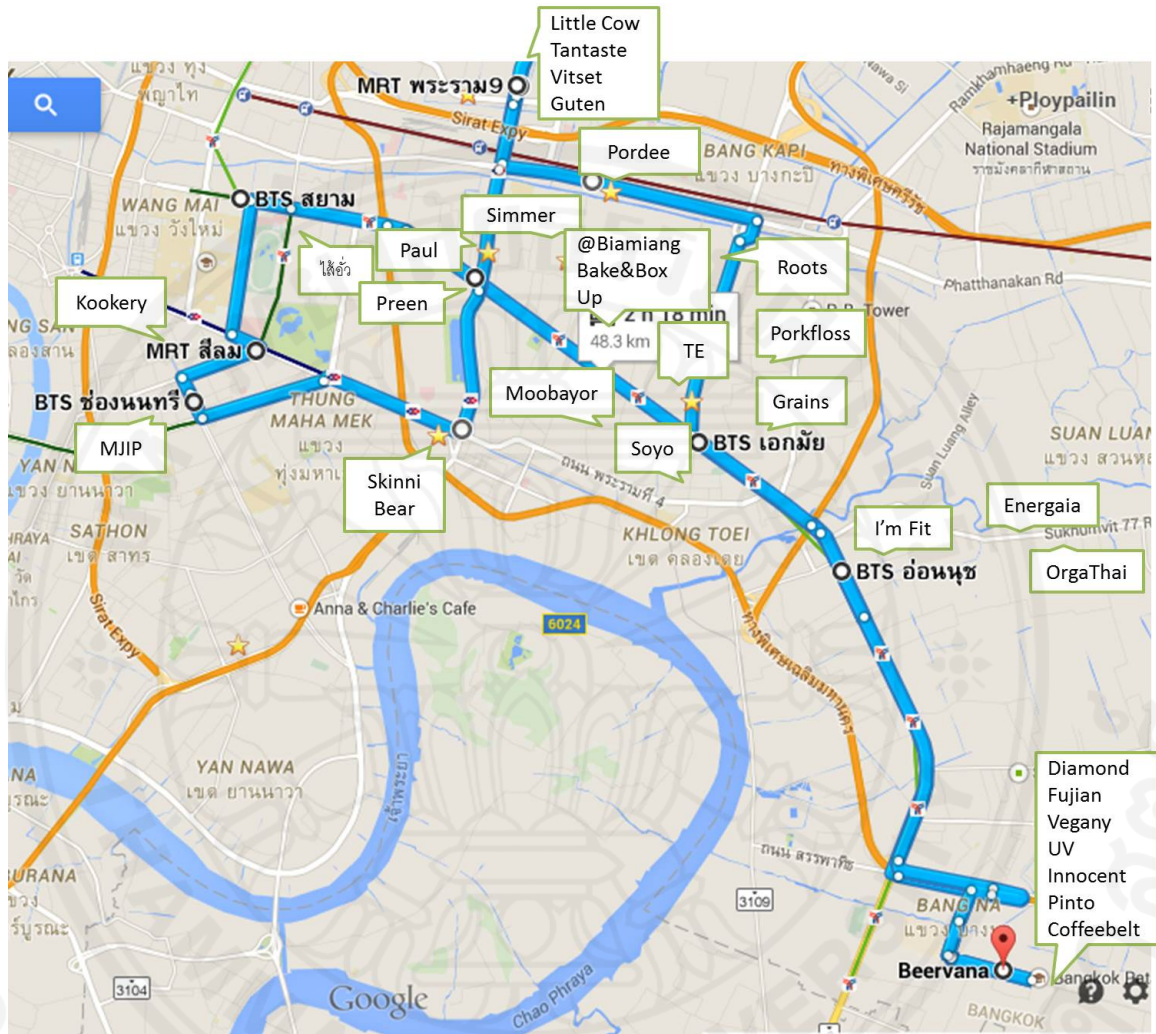


Figure 2.2: Pick up route set in Bangkok

Supplier	Bundle 1	Bundle 2	Bundle 3	Bundle 4	Bundle 5	Bundle 6
Up Thailand	8 x Almond Milk	8 x Black Sesame Soy Milk	8 x Matcha Soy Milk	8 x Soy Milk	8 x Mixed Bottle	8 x Mungbean
Skinni Bears	3 x Medium Pack	2 x Big Pack				
Paul Serdin	Lavender x 4					
Simmer Smith	3 x Same Soup	4 x Mixed Soup small size	2 x same soup big size	3 x mixed soup big size		
Soyo	10 x Mixed Bottles					
Porkfloss	3 x same goods	3 x mixed goods small size & 2 x Big sized pork floss				
My Job is Pat	2 x same goods	2 x mixed goods	3 x Mixed Goods			
Kookery	3 x mixed goods	3 x same goods				
Perb	4 x Mixed goods					
Secret Scent	Keep Same	2 x Big packs				
Energala	3 x same goods					
Orgathai	3 x Small packs	2 big packs				
TE						
Preen's	3 x Bottles					
Guten						
The Food Lab	10 x Mixed Bottles					
		Yellow means better solution				
Suppliers to Take Out						
Cabbage Roll						
Giew Pla						
Farm Suk						

Figure 2.3: Bundled Product List Compiled

2.3 Deliveries in Bangkok

We started our delivery service in Bangkok by offering free deliveries of orders over 500 Baht to prove that there was a demand for artisanal food products deliveries other than finding it at weekend Farmers Market. These deliveries consisted from BTS stations to the owners home all the way on the outskirts of Bangkok. After a while, we found out the costs of delivering was very high and that it was unsustainable. To fix this, we took out the free delivery part and changed to free deliveries along the BTS & MRT line. Customers who wanted us to deliver it to their homes had to pay another 80 Baht. After this second version went live for a while, the costs of delivering to the outskirts of Bangkok was still very high and their order volume didn't make it good for delivering. We decided to charge customers that live 1km or more from the BTS &

MRT lines for 120 Baht while keeping it at 80baht who live 1km or less from BTS & MRT lines.

In addition to this, we experimented with customers picking up their goods at ATT Bangkok, which provided a secure space to store goods for others. All the customer has to do is show their ID card and phone number. However, this service cost us an additional flat fee of 25 baht along with 10 baht per kg. Furthermore, in some cases we had to provide an insulated bag or foam box with dry ice. This increased our cost significantly and we had to shut the service down, as customers would not accept the cost.

From all the deliveries in Bangkok, we found out that we were dependent on the customer's availability and it created a conflict with our schedule. Not only do we have to pick up the goods at certain periods made by the suppliers, the customer also wanted a timeslot that sometimes would not fit into our schedule.

2.4 Deliveries to Customers Outside Bangkok & Third Party Logistics

While interviewing our suppliers, we found out that not only do have problems delivering goods, they have problems controlling the quality of the goods when they send it to customers outside Bangkok. Most of the supplier's goods are perishables and require temperature-controlled environments. This prompts us to come up with a prototype for delivering goods to the provinces. After some research and existing knowledge on cold chain distribution, we launched a nationwide delivery service using foam boxes and dry ice. This kept the goods cool for 24 hours but there was a risk in damaging the goods if it touched the dry ice. We developed packing methods using leftover materials such as newspapers, hard cardboard & congratulated boxes to fill the empty space in the boxes and act as wall to prevent the dry ice touching the goods. The dry ice was ordered from dry ice companies but because of the minimums for free

delivery, we sometimes we buy it from retailers that sell ice cream such as Dairy Queen or Swensons.

We discovered there was a huge network of third party logistics providers at Rong Muang and Sai 2. Each third party logistics providers would run a particular route such as the north route, southern route, eastern route and northeastern route. We also found out that they would not normally send chilled or frozen goods unless packed a particular way. Some companies however would reject perishable items completely. We didn't know how their service was so we started to test most of them out. After some tests, we found out that these logistics providers not only cannot perform as they have claimed, it was also hard to get accurate details on the shipment from them due to a lack of tracking number.

Other than these parties we also found other third party logistics providers that provide delivery service to anywhere in Thailand. These companies include Nim Si Seng, InterExpress among others. We started to use these companies as it helped reduce our transport costs from consolidation as well as an improvement in service quality. With the tracking numbers from these companies, we were able to give a better time frame for the customer and allow them to call for follow up.

As we continued to experiment with foam boxes with dry ice, we found out that most of our customers are ordering less than 10 kgs while we're using 20 kgs foam boxes. Packing was an issue as we had to look for materials every week while costs for shipping a 20 kgs foam box was costlier than a 5 kgs or 10 kgs box. We decided to look for additional sources of foam box to adjust to the situation. Although the small foam boxes cost more than the 20 kgs foam box due the source of supply, we were able to reduce the costs from the third party logistics company by more than half. In addition to this, during the hot days of March and April, we found out that amount of dry ice we used was not enough to keep the products cooled and caused spoilage. We adjusted accordingly by adding an additional half to one full block of dry ice.

2.5 Payments Received and Payments To Suppliers

Initially, we started our operations through just two payment channels: PayPal or Bank Transfer. We found out that only having a Kasikorn bank account was problematic as customers were sending us payments that had 25 baht transaction fees that was significant towards their orders. This led us to opening 4 different bank accounts that would reduce this cost to customers using Kasikorn bank, Siam Commercial Bank, Krungsri Bank and Bangkok Bank. Not only does it help customers, it also made it less costly for us to transfer to suppliers that use different banks apart from Kasikorn Bank.

Tracking the payments with our customers was difficult initially as we had to update all the book banks daily to keep up. Using the mobile services provided from the bank, we were able to track most of the payments but there were still cases where we found the payment late and the customers complained or we either had to refund. This improved our system instead of waiting for customers to send their payment slips in which a lot of people forget to. Also, it made us able to pinpoint which orders haven't fulfilled their payment yet so we could follow up.

Our payment to our suppliers was dependent on the credit terms we agreed with them. Most of the suppliers agreed to 3 days after pick up but there were still suppliers who wanted advance payment as they didn't trust us or will only produce the goods, once they have the money as their policy. Some newer suppliers that were bigger organizations gave us credit terms up to 30 days.

2.6 New Opportunities Discovered - Providing Delivery Services

As we were sending products from our suppliers to customers nationwide, our competitors and suppliers also wanted to know how we were able to send the products especially dairy and other sensitive goods. Some of the discussions with them were carried out and we experimented with them in trying out our services.

2.6.1 Baimiang

We were able to meet K.Miang, Baimiang's owner as they discovered that we also selling the artisanal food products they sold in the stores. They contacted us to see if we were interested in handling their deliveries to their customers outside Bangkok. The terms we initially presented were as in Appendix E. After we checked our capabilities, we were unable to get a person for hire to pick up the goods and deliver it to the third party logistics service thus we were unable to start with them. Baimiang thus started to use buses at Victory monument to deliver their food products packed with ice to their customers.

2.6.2 Suppliers: Up Thailand & I'm Fit

Some of our suppliers wanted to send their products to customers that placed an order with them directly. After discussing several times about the costs of shipping, we gave them a trial for 300 Baht for a 20kg foam box. The result was that the supplier tried to fit as much goods as possible into the box to save or make it worthwhile for the customer. We found out that these customers were actually retailing these products also.

CHAPTER 3

FINANCIAL PLAN

The financial details were collected and compiled by myself and after discussions with the team regarding our assumptions and experiments; I was able to compile the data and came up with the following models. Most of the details were from actual experiments so we were able to see that most of our assumptions were quite similar from what we had done in the past. Based on these data we were able to see that our business is not really sustainable and will have difficulty scaling up in the long term. Many additional funds will be needed each year until it reaches the breakeven point.

3.1 Assumptions

Based on what we've experimented so far, we will need to reduce our COGS to 60% as % of sales in order to generate enough money to cover for our selling, general and administrative expenses as in Table 3.1. The SG&A are high due a salary of 30,000 per team member. With 3 team members, it will not cover the SG&A costs in which we'll likely have to reduce our salary or accrue it as a accounts payable for some months. In comparison, the reality of our situation is as in Table 3.2 and Table 3.3. In this two tables, the actual COGS is really high and our logistics costs is doubled which makes our income statement severely improbable. However, if we are able to go according to plan and make a turn around, we'll be able to achieve an income statement as in Table 3.4.

Table 3.1: Assumptions to make the business model work

Good Eats Assumptions		<i>Hist.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>
		<i>Year</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Income statement							
	Sales growth	50.0%	50.0%	100.0%	50.0%	50.0%	50.0%
	COGS as % of sales	75.0%	70.0%	60.0%	60.0%	60.0%	60.0%
	SG&A as % of sales	50.0%	47.5%	37.5%	35.0%	32.5%	30.0%
	Tax rate % of Income before taxes	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%
Shareholder info							
	Dividend payout rate % of net income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Wgtd avg common shares outstanding	300.0	300.0	300.0	300.0	300.0	300.0
PP&E							
	Annual depr. as % of previous PPE	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
	Capital expenditures % of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Working capital							
	Accounts receivable as % of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Inventories % of COGS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Accounts payable % of COGS	5.0%	5.0%	6.0%	7.0%	8.0%	9.0%
Debt							
	Issuance, Bank loan	0.0	0.0	0.0	0.0	0.0	0.0
	Repayment schedule, Bank loan		0.0	0.0	0.0	0.0	0.0
Other assumptions							
	Common stock	50,000.0	50,000.0	50,000.0	50,000.0	50,000.0	50,000.0
	Interest Rates		7.5%	7.5%	7.5%	7.5%	7.5%
	Staff		1.0	4.0	5.0	7.0	10.0
	Average Staff Salary		10,000.0	11,000.0	12,100.0	13,310.0	14,641.0
	Management Team		3.0	3.0	3.0	3.0	3.0
	Management Team Salary		20,000.0	22,000.0	24,200.0	26,620.0	29,282.0
	Logistics to deliver as % of SG&A		5.0%	5.0%	5.0%	5.0%	5.0%

Table 3.2: Experimented values of the business model

Good Eats Assumptions		<i>Hist.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>
		<i>Year</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Income statement							
	Sales growth	50.0%	50.0%	100.0%	50.0%	50.0%	50.0%
	COGS as % of sales	75.0%	80.0%	75.0%	70.0%	65.0%	60.0%
	SG&A as % of sales	50.0%	52.0%	45.0%	37.5%	35.0%	32.5%
	Tax rate % of Income before taxes	0.0%	0.0%	0.0%	0.0%	0.0%	15.0%
Shareholder info							
	Dividend payout rate % of net income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Wgtd avg common shares outstanding	300.0	300.0	300.0	300.0	300.0	300.0
PP&E							
	Annual depr. as % of previous PPE	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
	Capital expenditures % of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Working capital							
	Accounts receivable as % of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Inventories % of COGS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Accounts payable % of COGS	5.0%	5.0%	6.0%	7.0%	8.0%	9.0%
Debt							
	Issuance, Bank loan	0.0	0.0	0.0	0.0	0.0	0.0
	Repayment schedule, Bank loan		0.0	0.0	0.0	0.0	0.0
Other assumptions							
	Common stock	50,000.0	50,000.0	50,000.0	50,000.0	50,000.0	50,000.0
	Interest Rates		7.5%	7.5%	7.5%	7.5%	7.5%
	Staff		1.0	4.0	5.0	7.0	10.0
	Average Staff Salary		10,000.0	11,000.0	12,100.0	13,310.0	14,641.0
	Management Team		3.0	3.0	3.0	3.0	3.0
	Management Team Salary		20,000.0	22,000.0	24,200.0	26,620.0	29,282.0
	Logistics to deliver as % of SG&A		10.0%	10.0%	10.0%	10.0%	10.0%

3.2 Revenue Model

We can see that through our experimentation, the high cogs and high SG&A will cause us a severe loss for several years. Without adjusting for this will not make business sense in operating the business.

Table 3.3: Revenue Model based on Actual Findings

Good Eats Income statement	Proj. 2015	Proj. 2016	Proj. 2017	Proj. 2018	Proj. 2019
Revenues					
Sales	1,100,000.0	2,200,000.0	3,300,000.0	4,950,000.0	7,425,000.0
COGS	880,000.0	1,650,000.0	2,310,000.0	3,217,500.0	4,455,000.0
Depreciation	1,600.0	1,472.0	1,354.2	1,245.9	1,146.2
Gross profit	218,400.0	548,528.0	988,645.8	1,731,254.1	2,968,853.8
Expenses					
SG&A	572,000.0	990,000.0	1,237,500.0	1,732,500.0	2,413,125.0
Operating profit	(353,600.0)	(441,472.0)	(248,854.2)	(1,245.9)	555,728.8
Interest Expenses	0.0	0.0	0.0	0.0	0.0
EBT	(353,600.0)	(441,472.0)	(248,854.2)	(1,245.9)	555,728.8
Taxes	0.0	0.0	0.0	0.0	83,359.3
Net income	(353,600.0)	(441,472.0)	(248,854.2)	(1,245.9)	472,369.5
Shareholder information					
Wgtd. avg. shares outstanding	300.0	300.0	300.0	300.0	300.0
Dividends	0.0	0.0	0.0	0.0	0.0
Earnings per share	(THB 1,178.67)	(THB 1,471.57)	(THB 829.51)	(THB 4.15)	THB 1,574.56
All numbers are reported in Thai Baht					

From our experimentations, if we are able to adjust our COGS to be only 60% as % of sales, we'll improve significantly on our income. In addition to this, we will also have to improve our logistics by cutting down on pick ups from suppliers. Increasing our volumes will help to change this as they will be more willing to deliver.

Table 3.4: Revenue Model based on Projections

Income statement	2015	2016	2017	2018	2019
Revenues					
Sales	1,100,000.0	2,200,000.0	3,300,000.0	4,950,000.0	7,425,000.0
COGS	770,000.0	1,320,000.0	1,980,000.0	2,970,000.0	4,455,000.0
Depreciation	1,600.0	1,472.0	1,354.2	1,245.9	1,146.2
Gross profit	328,400.0	878,528.0	1,318,645.8	1,978,754.1	2,968,853.8
Expenses					
SG&A	522,500.0	825,000.0	1,155,000.0	1,608,750.0	2,227,500.0
Operating profit	(194,100.0)	53,528.0	163,645.8	370,004.1	741,353.8
Interest Expenses	0.0	0.0	0.0	0.0	0.0
EBT	(194,100.0)	53,528.0	163,645.8	370,004.1	741,353.8
Taxes	0.0	0.0	0.0	55,500.6	111,203.1
Net income	(194,100.0)	53,528.0	163,645.8	314,503.5	630,150.7
Shareholder information					
Wgted. avg. shares outstanding	300.0	300.0	300.0	300.0	300.0
Dividends	0.0	0.0	0.0	0.0	0.0
Earnings per share	-฿ 647.00	฿ 178.43	฿ 545.49	฿ 1,048.34	฿ 2,100.50

3.3 Balance Sheet

Since our business operates on made to order goods, we do not have any accounts receivables or inventories. This could change in the future if we have new business models such as wholesaling to retailers, as we will have to increase our working capital to be able to handle this new business. In addition to this, we still have limited assets as our experiments showed that it is not right to invest yet. However, if we can make the turn around, we will also need more assets such as a cold storage facility or a cold truck. We could also look to rent these facilities instead of buying it outright but it will then increase our SG&A. For our accounts payable, it will be best if we can negotiate with our suppliers to adjust our credit terms so that we can fuel the business growth faster than we anticipate.

Table 3.5: Balance Sheet of Good Eats

Good Eats Balance sheet		Hist. Year	Proj. 2015	Proj. 2016	Proj. 2017	Proj. 2018	Proj. 2019
Assets							
<i>Current assets</i>							
HINT: Use the results of the Cash Flow Statement.	Cash	30,000.0	(124,000.0)	(28,300.0)	196,100.0	610,849.4	1,405,496.3
Xo	Accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0
X	Inventories	0.0	0.0	0.0	0.0	0.0	0.0
HINT: Sum. Be sure to include ALL current assets	Total current assets	30,000.0	(124,000.0)	(28,300.0)	196,100.0	610,849.4	1,405,496.3
<i>Non-current assets</i>							
l,o	Net PP&E	20,000.0	18,400.0	16,928.0	15,573.8	14,327.9	13,181.6
HINT: Sum. Be careful not to add items twice	Total assets	50,000.0	(105,600.0)	(11,372.0)	211,673.8	625,177.2	1,418,677.9
Liabilities							
<i>Current liabilities</i>							
X	Accounts payable	0.0	38,500.0	79,200.0	138,600.0	237,600.0	400,950.0
HINT: Sum. Be sure to include ALL current liabilities	Total current liabilities	0.0	38,500.0	79,200.0	138,600.0	237,600.0	400,950.0
<i>Non-current liabilities</i>							
f	Total long-term debt	0.0	0.0	0.0	0.0	0.0	0.0
HINT: Sum	Total liabilities	0.0	38,500.0	79,200.0	138,600.0	237,600.0	400,950.0
Equity							
f	Common stock	50,000.0	50,000.0	50,000.0	50,000.0	50,000.0	50,000.0
o,f	Retained earnings	0.0	(194,100.0)	#####	23,073.8	337,577.2	967,727.9
HINT: Sum	Total equity	50,000.0	(144,100.0)	(90,572.0)	73,073.8	387,577.2	1,017,727.9
HINT: Total liabs + Total equity	Total Liab. & Equity	50,000.0	(105,600.0)	(11,372.0)	211,673.8	625,177.2	1,418,677.9
HINT: Subtract total assets from total L&E	Balance?	0.0	0.0	0.0	0.0	0.0	0.0

3.4 Cash flow Statement

For our cash flow statements, our main concern is the working capital we have to bear in the future. If we cannot negotiate better terms with the suppliers, the business will have to fuel itself on just the cash it receives. This could prove problematic if we want to invest in assets or hire new people as our budgets will be super tight. We might need a source of financing to help out in these conditions.

Table 3.6: Cash Flow Statement

Good Eats Cash flow statement	<i>Hist.</i> Year	Proj. Year 1	Proj. Year 2	Proj. Year 3	Proj. Year 4	Proj. Year 5
Cash flow from operations						
Net income		(194,100.0)	53,528.0	163,645.8	314,503.5	630,150.7
Depreciation		1,600.0	1,472.0	1,354.2	1,245.9	1,146.2
(Increase in operating working capital)		38,500.0	40,700.0	59,400.0	99,000.0	163,350.0
Total cash from operations		(154,000.0)	95,700.0	224,400.0	414,749.4	794,646.9
Cash flow from investing						
(Capital expenditure)		0.0	0.0	0.0	0.0	0.0
Total cash from investing		0.0	0.0	0.0	0.0	0.0
Cash flow from financing						
Increase (decrease) in LTD		0.0	0.0	0.0	0.0	0.0
Increase (decrease) in Common stock		0.0	0.0	0.0	0.0	0.0
(Dividends)		0.0	0.0	0.0	0.0	0.0
Total cash from financing		0.0	0.0	0.0	0.0	0.0
Total net change in cash		(154,000.0)	95,700.0	224,400.0	414,749.4	794,646.9
How did cash change?						
Beginning cash		30,000.0	(124,000.0)	(28,300.0)	196,100.0	610,849.4
Change in cash from CFS		(154,000.0)	95,700.0	224,400.0	414,749.4	794,646.9
Net cash available at end of year	30,000.0	(124,000.0)	(28,300.0)	196,100.0	610,849.4	1,405,496.3

3.5 Funding

The initial stage of our funding was through our personal contribution of 20,000 baht each to the cause. The funds were used to buy a 2-door fridge and a freezer. This allowed us to keep larger volumes of the goods and ensured that the goods were kept at an optimal temperature. The leftover cash of 10,000 baht was used as a buffer in case we had to pay anything in advance. However, since our business involved the advance payment from our customers, we were able to operate without any problems. Overtime, we found out that in order to increase our capability to handle increasing amount of orders, we will need to obtain further funding to build a delivery team capable of picking up goods too.

Currently, we're looking for 2 million baht of funds to invest in building our infrastructure. We've checked many possibilities of raising money such as entering competitions for the prize money, requesting funding from the Thai Health Promotion Foundation, through our suppliers, families and friends and lastly through investors. We tried several competitions but did not win any thus there weren't any available funds from the competitions but we did in fact get investors who were interested to invest in our business. They offered us five million baht to set up a new company to do distribution for SMEs focusing on dry goods while requesting an ownership of up to 60%. We immediately turned this down, as they wanted to focus on distributing other products that we had no intention of distributing. In addition to this, we've been contacting the Thai Health Promotion Foundation for funds to help our cause as well as help our suppliers. Our suppliers, families and friends are another group that we've talked to. Some suppliers are interested to invest with us in order to move all their distribution to us instead of them worrying about it. They can then in turn focus primarily on product manufacturing and product development.

If we obtain the necessary funds, we will start to build our delivery team. The first investment will be a cold truck and a pool set aside for the salary of the driver. This will cost about three hundred thousand initially but it should help us carry more loads and reduce the efforts of the management team in delivering the goods ourselves. In addition to this, we're also looking to hire some messengers to travel with the truck to make it faster for deliveries in an area. This will create more time for us to improve our supplier pool, back office set up, and infrastructure building. In addition to this, we plan to invest in our website and back end infrastructure so that our suppliers will a gateway portal to be able to access and set the availability, schedule and prices of their products themselves. This will reduce the workload on our side as well as create a firmer commitment from the suppliers. In addition to this, we'll be able to help them out more and work closely together to make Good Eats central to their marketing plans. In addition to this, we want to create our own website to make it customer friendlier than the current one we have based from Shopify. The limited functions Shopify has in place makes it difficult for customers who want to pay by credit card. The total will probably cost close to five hundred thousand baht. We'll use the five hundred thousand baht of the funding to rent a place close to town and refurbish it with a cold room to be able to keep large amounts of perishable goods. This will be our central office and operation center to pack all the goods before they get shipped out everyday. We'll also set a budget of three hundred thousand baht to push our marketing through both online and offline channels to build up our customer pool rapidly. Lastly, we plan to hire around 3-4 staff to cover the operations, website building and marketing with us. The cash on hand should be available for us to push forward for a year and change the current shape of the business.

CHAPTER 4

CONCLUSION

To continue our B2C Door-to-Door Delivery model, which, in order to be economically feasible, would require extensive amount of marketing budget as well as infrastructure build out to draw in extensive order volumes that would be sufficient to cover logistic costs via economy of scale. If we are able to obtain the funds necessary we'll be able boost our volume to the point while also developing our own in-house logistic fleets, our logistic costs would reduce significantly.

In addition to this, we are looking at several analogs and antilogs to learn about their operation plans to reduce our operating costs as well as improve the efficiency of our systems. We look forward to trying new things in order to develop a breakthrough process of distribution in the market. Currently, although we plan to terminate our contracts with all suppliers with high logistic costs who are not able to deliver their goods to us, we hope the funding will be able to change this situation and keep them on hand. After we've built a market that is good for them would they in turn to deliver to us. From us building the volumes for those suppliers, scaling their business would create success stories that might lure other suppliers in on the term that they would have to deliver their goods to us and cope with the logistic costs. They will also have more time to focus on their products to keep it at a consistent quality or use it to develop better products.

Through this give and take cycle, Good Eats supporting the suppliers and with them coming to support us will this business work out eventually. We're hoping through the joint partnership with them, making them feel like they are the ones controlling the website will also make some suppliers interested in investing in the cause.



APPENDIX A

LOGISTICS SERVICE QUOTATION TO BAIMIANG

Delivery Area	Dry Pack (per box)	Cold Pack (per box)
Bangkok Area	THB 100	THB 100
Bangkok Metropolitan Region	THB 200	THB 300
All other regions in Thailand	THB 250	THB 350

Terms & Conditions

1. Good Eats will pick up items at Baimiang Rama 2 Distribution Center daily from Monday-Saturday at 2 PM. Baimiang will send the delivery order list to Good Eats in advance.
2. Minimum quantity of 10 boxes and above, for quantity less than 10 boxes, Good Eats may charge an additional transportation fee of THB 150 per trip to Rama 2.
3. Price quoted above included packaging fees.
4. Price quoted above may be subjected to change, however Good Eats will consult Baimiang in advance of any changes to be made.
5. Baimiang will make payment to Good Eats at the end of each week to one of the following accounts:

Account Name: Mr. Leu-Shyue Chen

Kasikorn Bank (Big C Rama 4 Branch) A/C: 770-2-26506-6

Siam Commercial Bank (Siam Paragon Branch) A/C: 218-245153-5

Bangkok Bank (Siam Paragon Branch) A/C: 855-0-44484-1

Krungsri Bank (Big C Rama 4 Branch) A/C: 649-1-05589-

BIOGRAPHY

Name	Mr. Leu-Shyue Chen
Date of Birth	May 31, 1987
Educational Attainment	2005-2009: Bachelor of Science in Applied Chemistry Chulalongkorn University 2013-2015: Master of Business Administration Thammasat University
Work Position	Innovation Manager Supply Chain Manager Finance Manager

