



SMUCKER'S



Team 8

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Agenda



Industry Overview



Company Analysis



Recommendation



Execution



Industry



Company



Recommendation



Execution

Packaged Foods & Meat Industry



Industry



Company



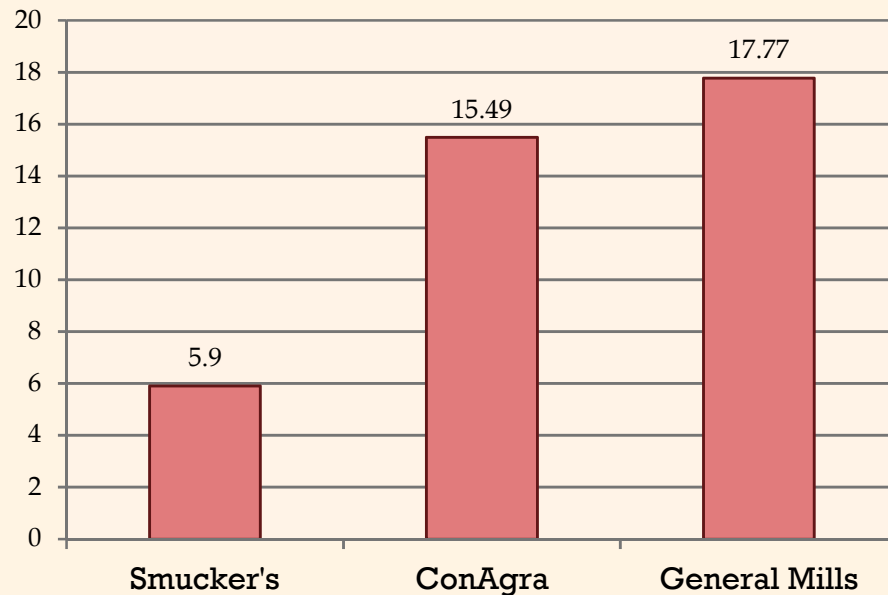
Recommendation



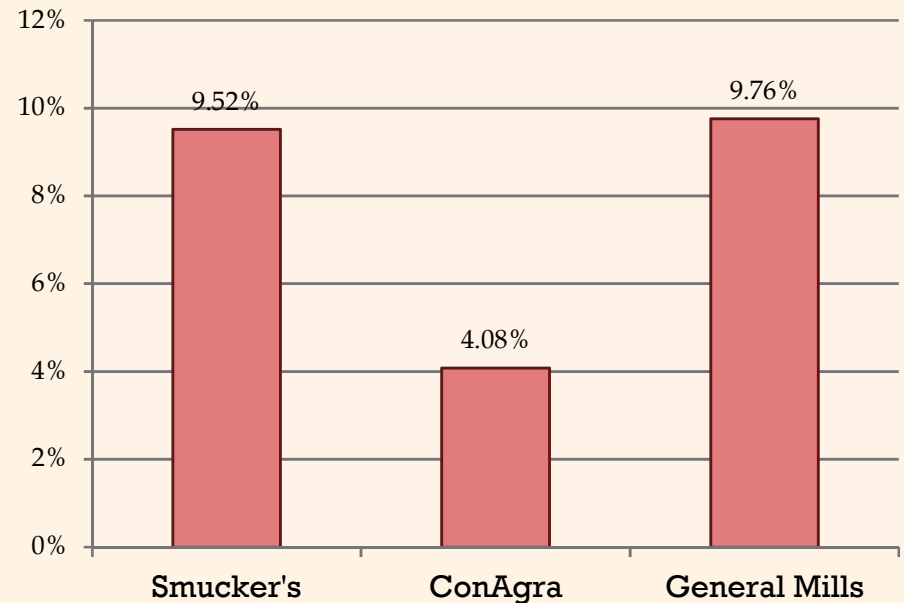
Execution

Competitor Performance

2012 Annual Sales, in Billions



2012 Net Profit Margin



Industry



Company



Recommendation



Execution

Product Line Competition

Smuckers Brand	Competition
Folgers	Private labels, Maxwell House, Yuban, Nescafe
Millstone/Folgers Gourmet/Dunkin Donuts	Private labels, Starbucks, Gevalia, Eight O'Clock, Seattle's Best, Peet's Coffee & Tea
K-Cup	Green Mountain, Starbucks, Maxwell House, Gevalia, private labels
Jif	Skippy, Peter Pan, private labels
Smuckers Fruit Spread	Welch's, private labels
Crisco	Strong leader for shortening; competes heavily with private labels for oil
Pillsbury	Betty Crocker, Duncan Hines, private & regional brands
Hungry Jack	National & private label brands



Industry



Company



Recommendation



Execution

SWOT Analysis

Strength

- Interactive website
- Accessible products
- Positive consumer response to product innovations
- Improving economy leads to increase in consumer spending

Weakness

- Minimal marketing/advertising
- Lack of brand awareness
- No specific target market
- Ineffective reach to NE region

Opportunity

- Marketing campaign to raise brand awareness
- Growing industry in packaged foods
- Establishing brand loyalty

Threats

- Competitors competing to gain market share
- Health conscious consumers
- Rising lease prices
- Price sensitivity related to raw material costs



Industry



Company



Recommendation



Execution

STP Analysis

Segment	Target	Positioning
Lunch Snacks Desserts	Families	A company that offers consumers quality products that brings families together to share memorable meals and moments



Industry



Company



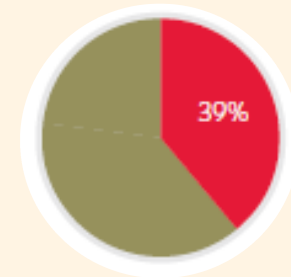
Recommendation



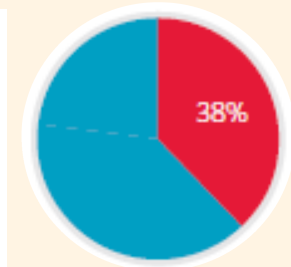
Execution

Three Segments

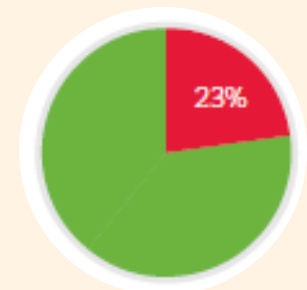
U.S. Retail Coffee



U.S. Retail Consumer Foods



International, Foodservice and Natural Foods



Industry

Company

Recommendation

Execution

Current Marketing Initiatives

Increase in marketing support

Launch of ~100 new products

Sponsorship of the 2014 and 2016 U.S. Olympics & Paralympics teams

New advertisements

Digital Investments



Industry



Company



Recommendation



Execution

The Smucker's Store



Industry



Company



Recommendation



Execution

Building Brand Awareness

**Innovative
Flavors**

- Excites consumers

**Product
Variety**

- Encourages sampling

**SoHo
Location**

- Prime visibility and foot traffic

Product Sales



Industry



Company



Recommendation



Execution

Make An Impact



NATIONAL
MILITARY FAMILY
ASSOCIATION

Together we're stronger



SMUCKER'S
Sundays[®]



Industry



Company



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Execution

Organization Legitimacy

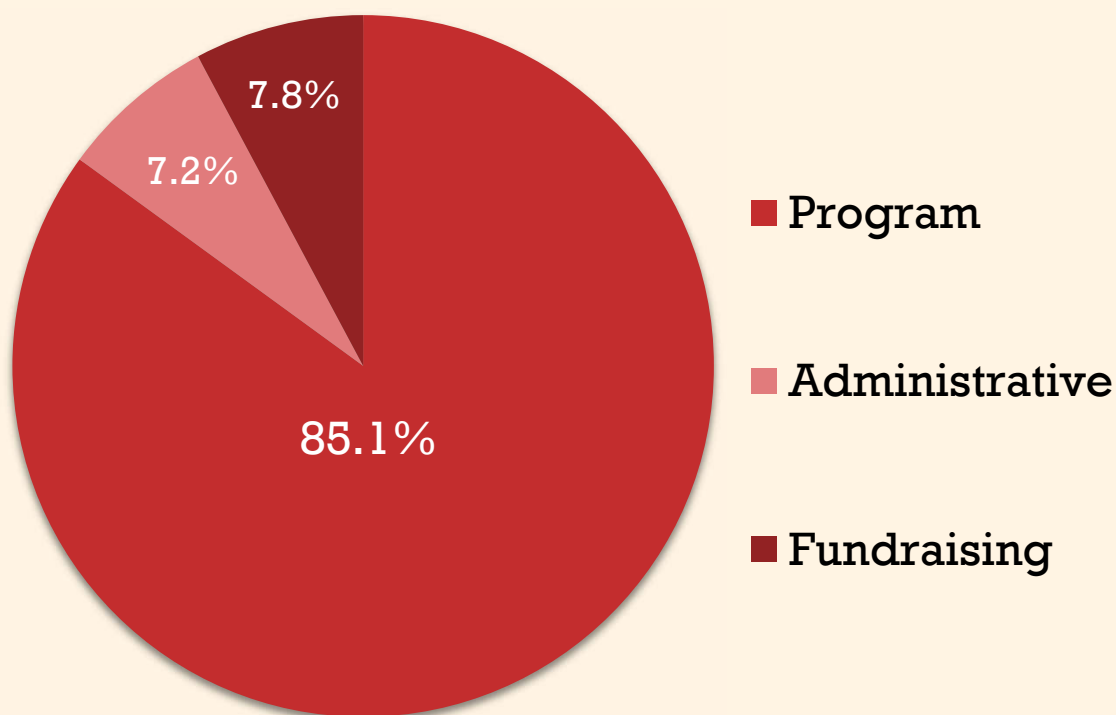


NATIONAL
MILITARY FAMILY
ASSOCIATION

Together we're stronger

*Rated 63.01/70 based on
Financials, Accountability,
and Transparency.
-Charity Navigator*

Expenses



Industry



Company



Recommendation

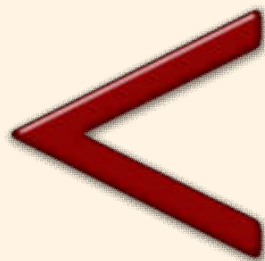


Execution

Why Take No Profits?



Profit Generated
Through 1 Store



↑ Increase in
Product Sales ↑



Industry



Company



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Execution

Reaching Target Audience

Impacting
Families

Building
Preference for
Smucker's
Products

Increase in Long-
Term Sales

Percentage of people w/
immediate family member
serving in the military:

Ages 18-29: 33%

Ages 30-49: 57%

Ages 50-64: 79%

Ages 65+: 74%

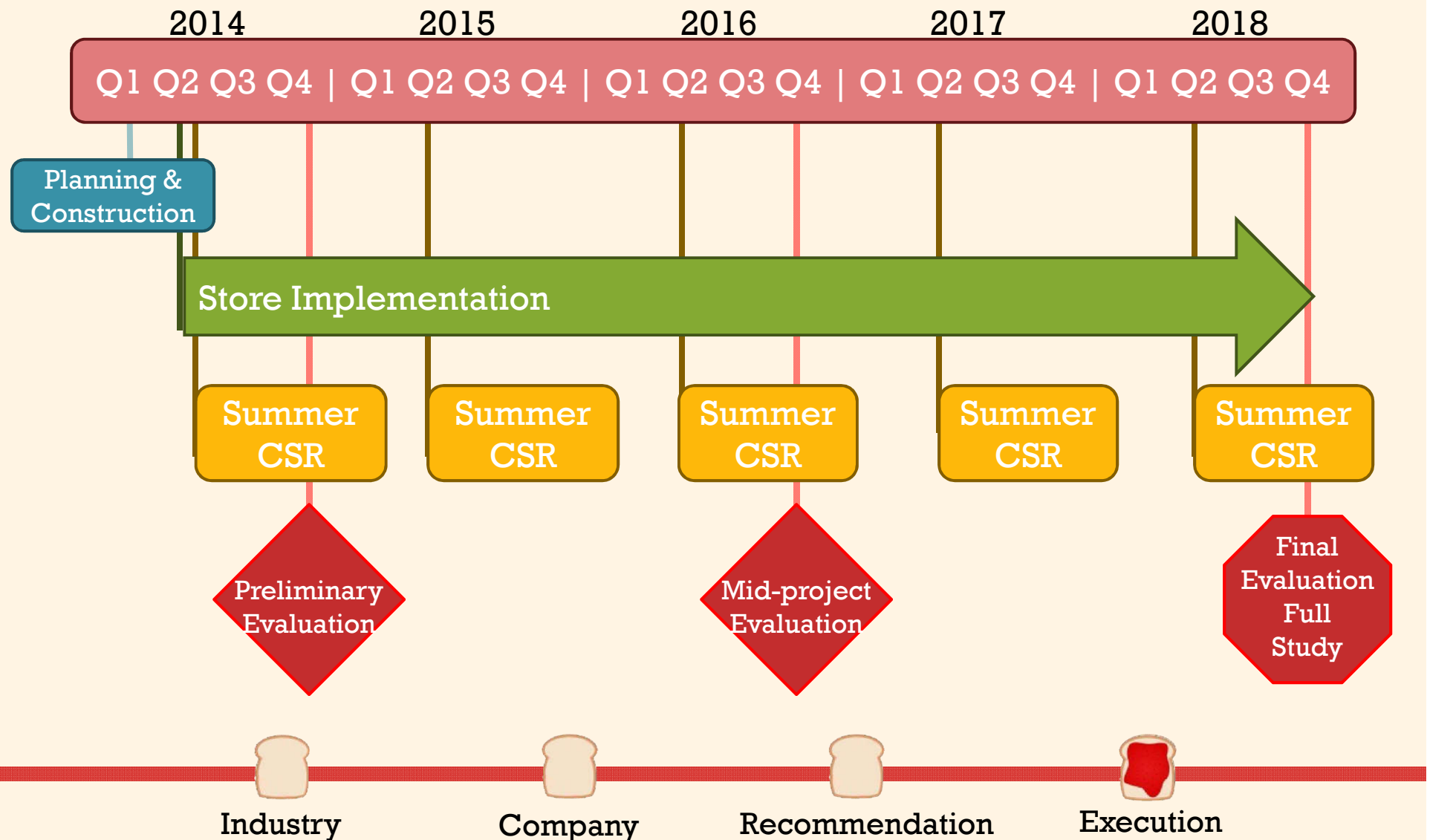
Industry

Company

Recommendation

Execution

Timeline



Assumptions

	Year 1	Year 2	Year 3	Year 4	Year 5
1. Sales growth rate: first 2 yrs 15%, from then on it decreases down 7% (Revenue received from the shop)		-	15%	15%	11% 7%
2. COGS (convert to % of revenue and keep it constant): Smucker's Perserves 18oz \$3.29, which yields \$0.183/oz; Jif 18oz \$2.79, which yields \$0.155/oz, a loaf of bread 20 slices \$2, yielding \$0.2/slice) Selling prices: PB&J \$4, Ice Cream \$5	Smucker's Perserves 18oz \$3.29 unit price \$0.183 Jif 18oz \$2.79 unit price \$0.155 Bread 20slices \$2 unit price \$0.100				
Estimated daily sales: PB&J 300/day, Ice Cream 100/day (Ave daily sales at Subway is around 400-500/day in a mediocre area)	PB&J cost \$0.54 Ice Cream cost \$1.80 PB&J price \$4.00 Ice Cream price \$5.00 PB&J revenue \$3.46 Ice Cream revenue \$3.20				
Estimated annual sales: (\$4*200+\$5*100)*365=\$474500					
Estimated COGS: (\$0.54*300+\$1.8*100)*365=\$124,830					
COGS as % of Rev: \$124,830/\$474500=26.31%					
3. Revenue Increased in direct sales of products (Marketing impact on sales): \$2,214.80 million in U.S. Retail Consumer Foods with a growth rate of 6% (seen in AR 2013). Assume that this project can increase 0.05% in the national sales of products and this segment grows 6% every year constantly.	\$2,214,800.00 grows at 6% annually				



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Execution

Assumptions Cont.

4. **Purchase price of all the equipments (CapEx) = \$20,000**

Ex. $\$3000 \times 4 + \$2000 \times 2 + \$1500 \times 2 = \$19,000 + \text{rest}$

Commercial Ice Cream Machine \$3,000

Commercial refrigerator \$2,000

Freezer \$1,500

Sink

Cutery

Storage

Estimated Salvage Value \$3,000

Suggested restaurant-related equipment economic life 15 yrs

Straight-line depreciation

Depreciation = $(\$20,000 - \$3,000) / 15$

\$1,133.33 *re-evaluate after 5 years

5. **SG&A** (mainly rent and salaries in this case)

normally coffee shops & froyo stores size ranges from 800 - 1500 SF

Selling price = $1,000 \times 700 = 700,000$

Price-to-rent ratio NY = 14.67

Salary \$12/hr

8 employees

8 hrs/each

Annual salary expense = $12 \times 8 \times 365 = 280,320$

SG&A = $47,716.43 + 280,320 = 328,036.43$

Rent = $700,000 / 14.67 = 47,716.43$

6. **CapEx** = \$20,000

7. **NWC** varies (volatile in the first half and decreases over time due to stable ST assets and AR relationships)

8. Tax 35%

9. **Discount Rate** 6.96% (CSR and Firm-wide) and 15.76% (Store)

10. Using **Perpetuity Growth Method** for Terminal Value: estimated Long-term industry growth rate, 2%

11. Restaurant Working Capital Ratio 3.7% (WC/Sales)



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Execution



NPV Analysis

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Value
Revenue		355,875.00	545,675.00	627,526.25	696,554.14	745,312.93	
-COGS		-93,630.71	-143,567.09	-165,102.16	-183,263.39	-196,091.83	
Profit		262,244.29	402,107.91	462,424.09	513,290.74	549,221.10	
-Depreciation		-1,133.33	-1,133.33	-1,133.33	-1,133.33	-1,133.33	
-SG&A		-328,036.43	-328,036.43	-328,036.43	-328,036.43	-328,036.43	
Net Operating Income		-66,925.47	72,938.15	133,254.33	184,120.98	220,051.34	
Tax		23,423.92	-25,528.35	-46,639.02	-64,442.34	-77,017.97	
Net Income		-43,501.56	47,409.80	86,615.32	119,678.64	143,033.37	
Depreciation		1,133.33	1,133.33	1,133.33	1,133.33	1,133.33	
-Capital Expenditure	-20,000.00	0.00	0.00	0.00	0.00	0.00	
-Net Working Capital	-1,000.00	-12,167.38	-8,022.60	-15,195.87	-10,576.63	46,962.48	
Free Cash Flow	-21,000.00	-54,535.60	40,520.53	72,552.78	110,235.34	191,129.18	1,416,800.58
Discount Rate	15.76%						
Present Value	-21,000.00	-47,110.92	30,238.35	46,771.20	61,388.46	91,946.33	681,578.90
Net Present Value of the store	843,812.31						

CSR input	-500,000.00	-500,000.00	-500,000.00	-500,000.00	-500,000.00	
Tax Shield	175,000.00	175,000.00	175,000.00	175,000.00	175,000.00	
PV of CSR using 6.96% Discount Rate	-303,851.91	-284,079.94	-265,594.56	-248,312.04	-232,154.12	
NPV of CSR	-1,333,992.57					

Revenue Increased in Retail Consumer Goods due to marketing impact from the store and CSR Initiative						
	17,718,400.00	18,781,504.00	19,908,394.24	21,102,897.89	22,369,071.77	
-COGS	-14,387,340.80	-15,250,581.25	-16,165,616.12	-17,135,553.09	-18,163,686.28	
-Tax	-1,165,870.72	-1,235,822.96	-1,309,972.34	-1,388,570.68	-1,471,884.92	
PV of Revenue Increased in Retail Consumer Goods using 6.96% Discount Rate	2,024,297.38	2,006,128.67	1,988,123.03	1,970,278.99	1,952,595.11	
NPV of Revenue Increased in sales of Retail Consumer Goods	9,941,423.18					

Final Net Present Value of the project (If donating all revenue from the store)	8,898,343.23
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Industry
Company
Recommendation
Execution

Summary

Slowing Sales
Price
Sensitivity
Strong
Competition



Innovation
Visibility
Growth



Industry



Company



Recommendation



Execution

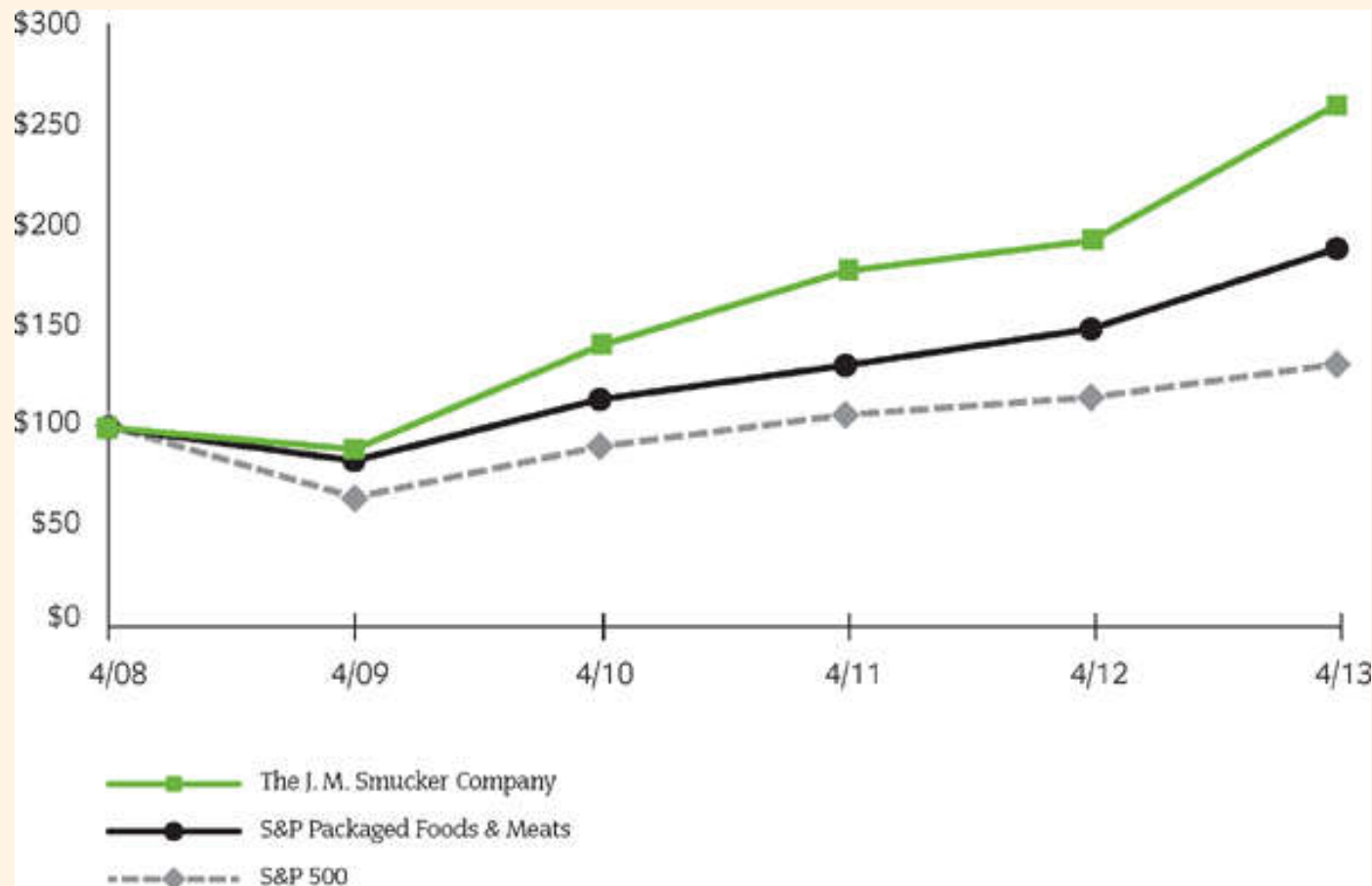
Questions?

Appendix A: Industry Comparison

Top Processed & Packaged Goods Companies by Market Cap

Company	Symbol	Price	Change	Market Cap	P/E
General Mills, Inc.	GIS	51.31	↓0.43%	32.54B	19.22
Kellogg Company	K	62.61	↓1.09%	22.68B	23.94
Mead Johnson Nutrition Company	MJN	84.85	↑4.91%	17.14B	27.38
ConAgra Foods, Inc.	CAG	33.00	↓0.18%	13.92B	20.95
Campbell Soup Company	CPB	42.42	↓0.28%	13.30B	29.44
The J.M. Smucker Company	SJM	109.35	↑0.39%	11.50B	21.04

Appendix B: Market Comparison



Appendix C: Financial Performance

Year Ended April 30

(Dollars in millions, except per share data)	2013	2012	2011
Statements of Income:			
Net Sales	\$5,897.70	\$5,525.80	\$4,825.70
Gross Profit	\$2,027.60	\$1,845.20	\$1,798.50
<i>% of net sales</i>	<i>34.40%</i>	<i>33.40%</i>	<i>37.30%</i>
Operating Income	\$910.40	\$778.30	\$784.30
<i>% of net sales</i>	<i>15.40%</i>	<i>14.10%</i>	<i>16.30%</i>
Net Income	\$544.20	\$459.70	\$479.50
Financial Position:			
Cash & Cash Equivalents	\$256.40	\$229.70	\$319.80
Total Assets	9,031.80	9,115.20	\$8,324.60
Total Long-Term Debt	2,017.80	2070.5	\$1,304.00
Shareholders' Equity	5,148.80	5163.4	\$5,292.30
Liquidity:			
Net Cash Provided by Operating Activities	\$855.80	\$730.90	\$391.60
Capital Expenditures	206.50	\$274.20	180.10
Free Cash Flow	649.30	\$456.70	211.50
Quarterly Dividends Paid	222.80	\$213.70	194.00
Purchase of Treasury Shares	364.20	\$315.80	389.10
EBITDA	1,161.60	1028.00	1,023.90

Appendix D: Risks

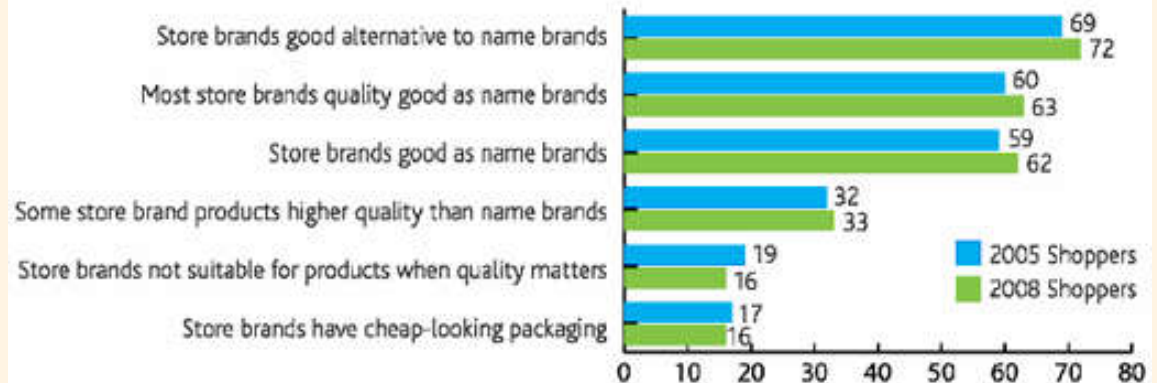
Issue	Risk Level	Strategy
Kids don't want our products	Medium	Making our products look good through product design
Price sensitivity to our products	Medium	Mitigation through increased variety
Whether plan translates into sales	Medium	Through reevaluation of strategies during key points of project duration
Completely does not resonate with consumers	High	Evaluations to try and adjust. Short horizons and relatively low investments to mitigate problems

Appendix E: Threat of Private Brands

Top areas for future store brand development



U.S. Consumers' Perception Of Private Label Brands Quality



Source: The Nielsen Company, 53,960 U.S. households, July 2008

Appendix F: Organization Legitimacy



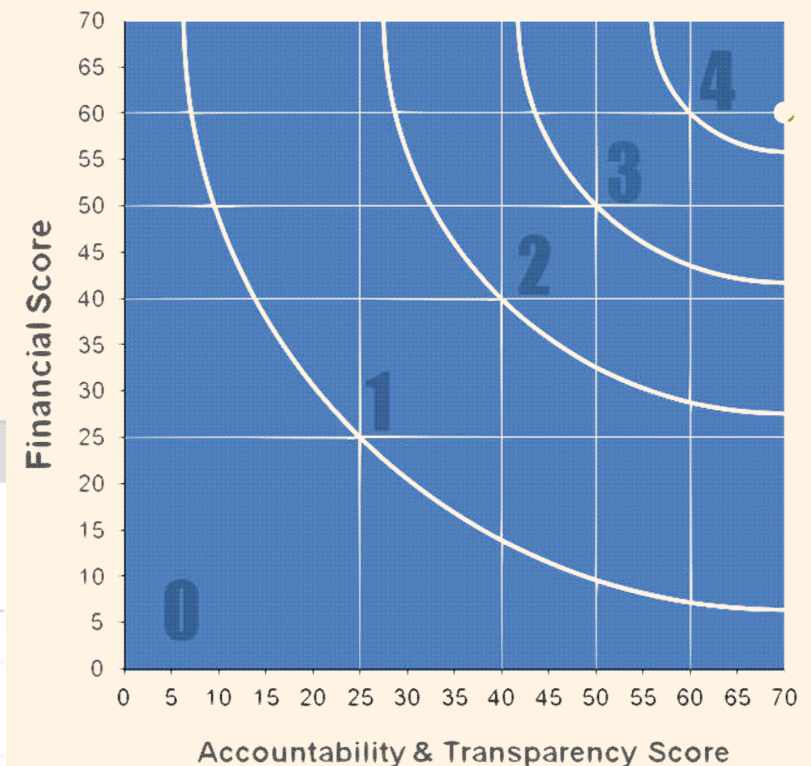
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Charities Performing Similar Types of Work

Highly Rated

Charity Name	Overall Score	Overall Rating
National Military Family Association - VA	63.01	★★★★
DAV (Disabled American Veterans) Charitable Service Trust - KY	55.36	★★★★☆
USO of Illinois - IL	58.16	★★★★☆
Navy SEAL Foundation - VA	68.76	★★★★
USA Cares - KY	55.05	★★★★☆



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