Business Performance

**Assessment 2**

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| **Part (a) – Memo and dashboard Background information** Organic Spoon Pty Limited (Organic Spoon) is a baby food manufacturer based in Tweed Heads, NSW. The business was established in 2010 by Evelyn Sanders, who was looking for a healthy and organic food option that was easy to make, even while busy or travelling. As Evelyn had four children under the age of five years old, she had tried all the baby food options on the market and identified a lack of healthy options for babies who are transitioning from milk and formula to solid foods (which occurs between the ages of 4 – 12 months). Evelyn’s husband, Theo Sanders, has a background in manufacturing and a Master of Business Administration degree. This allowed Theo to support Evelyn as she consulted chefs and organic food suppliers to try different recipes and food storage options. As Evelyn and Theo learned more about the baby food industry, they became quite passionate about developing a product that was nutrient-dense, looked and smelled fresh, and was easy for busy parents to carry with them throughout the day and make while they were away from the house. After extensive research and experimentation, Organic Spoon created its own range of powdered baby food products. When the range was launched, the products were available locally, but its popularity quickly grew in other friends’ and parents’ groups. Theo joined Organic Spoon full time in its second year of operation, and the business grew significantly faster than was expected. Its products are now available nationally, with health-based niche stores stocking its products. Organic Spoon is now in its twelfth year of operation, and it has over $10 million in annual revenue. Its business plan is to keep growing, specifically its sales revenue, by 1.5 percent or more each month (this was set, based on its November 2021 sales growth actual percentage). Sales are recognised for accounting purposes when a box of 10 portions is sold, either through its online store or sold to a business that stocks the product. There is no consignment stock  |

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|  Evelyn and Theo use the following key principles to keep Organic Spoon and its product range aligned to their original vision: • Healthy and organic products that are nutrient-dense, to support babies’ development in registering new tastes and textures. • Easy-to-make foods that can be transported easily and made by busy parents, even while they are away from the house. • Keep retail prices low, without compromising the quality of ingredients used, to ensure accessibility by all families. • Grow the availability and ease of access to the products for busy and working parents throughout Australia. The corporate tax rate for Organic Spoon is 25%.  |

Additional information

**Board of Directors**

As the business grew from small to medium in size, Evelyn and Theo established a Board of Directors that meets monthly to review the business’s results and guide its growth. Organic Spoon’s Board currently consists of the following five individuals:

- Evelyn Sanders, founder and Managing Director.

- Theo Sanders, Head of Manufacturing.

- George Campbell (Chair), Head of Finance and Administration. George has been with Organic Spoon for over eight years. Before this, he worked in the Tweed Heads local area on farming and manufacturing businesses, doing their bookkeeping and supply chain operations management.

- Bob Anderson, who has been a lawyer for over 40 years. He operates his own medium-sized law practice based in Queensland.

- Sarah Roberts, who has a PhD in Nutrition and Food Science. She works full time with the local University.

Organic Spoon’s Board is experienced in manufacturing and the baby food product area. Knowing that Organic Spoon has a superior product and high manufacturing capacity in their current manufacturing facility, the Board is keen to continue the strong sales performance and growth of the business. This is seen as Organic Spoon’s highest priority and the general market economic conditions of increasing interest rates and inflation should be overcome by strong business performance.

Evelyn analyses the business entirely, rather than separating each of its components. One specific measure she calculates each month is EBITDA. At the beginning of the 2021 calendar year, Evelyn was aiming for Organic Spoon to earn $100,000 per month. However, it was only able to achieve this in December 2021, with an actual figure of $101,282 (compared to $95,954 in November 2021). As its sales growth targets have been met, Evelyn has set the EBITDA target for the 2022 calendar year at $170,000 per month.

**Product Information**

Organic Spoon has a product range of 32 different products. Each product has slightly different ingredients that are processed in its manufacturing facility, which is located just outside of Tweed Heads.

Each final product is a powder blend that simply needs to be added to water or milk, then stirred, to create a nutritious snack or meal for babies aged 6 –12 months. The powder does not require refrigeration for storage or transportation. It only needs to be kept in a cool and dry place, away from moisture (eg not placed in the fridge). Each product has a shelf life of up to two years while in powder form.

The product packaging is a paper-based, sealed packet that can be recycled as it does not contain any plastics. The single portion packets are then placed in cardboard boxes that are clearly labelled and have attractive marketing designs. The boxes are transported to stores, opened, and placed on the shelf, ready for the individual packets to be purchased.

Once water or milk is added to the powdered product, the meal should be consumed within one hour. Each meal portion has an average sale price of $2.60 and, when sold in boxes of 10, has an average sale price per box of $26.00. Each of the 32 products in the range has a slightly different price. Increases in the raw material cost of certain fruits and vegetables forced Organic Spoon to increase prices across the product range earlier this year. The targeted average sales price per portion was adjusted from the original $2.50 to reflect this movement.

**Manufacturing Information**

Each raw ingredient (eg carrot, apple, oats) is organic and processed within 12 hours of arriving at the facility so the ingredients in the final product are as fresh as possible. The food processing method used is quite unique and involves completely dehydrating the ingredient and blending the dry product into a powder format for long-term storage. Once each ingredient is in powder form, it can be mixed in various proportions to create the current product range.

The versatility of the equipment in the processing plant provides the flexibility to adjust the blending speed and powder particle size to produce final products with different textures. It also allows for some of the products to suit babies over eight months of age who are transitioning to solid foods. The machinery that is used to cut, dry and blend the ingredients into powder operates with little input from the manufacturing staff once the food batch is setup. The drying process is frequently left to run overnight without supervision, which allows the food to dry as naturally as possible to retain nutrient density.

The mixed, powdered products are placed into portion-sized paper-based packets and sealed in the same manufacturing facility, which ensures quality and long shelf life of the product of up to two years.

The boxes of single-portion packets are easy to transport to stores using an external courier and transport networks. This also allows flexibility to transport small order sizes to niche stores that do not have a lot of storage space besides store shelves

**Sales channels and Customer Service**

The target customers for all products are busy parents who want organic and healthy alternatives to the mainstream supermarket baby foods (jars, pouches, etc). A large part of Organic Spoon’s success to date has been from word-of-mouth as parents seek product advice from other parents, new-parenting groups and organic food stores in their local area.

This is the reason for most of Organic Spoon’s sales coming from niche stores throughout Australia – there are very loyal followings in local areas, and new customers are introduced to the product on a regular basis, even as existing customers cease needing to buy baby food as their kids grow up.

The niche stores that stock Organic Spoon’s products are small or micro businesses or health food supermarket franchises (not major supermarkets). Organic Spoon records sales to niche stores when they place an order, and the product is being delivered to the store. In this way, there is no stock on consignment or returns for unsold stock from the niche stores.

Parents can purchase single-serve packets or boxes directly from Organic Spoon’s website. These sales do not comprise a significant portion of Organic Spoon’s overall sales. The website also contains functionality for parents and niche store owners to interact with Organic Spoon’s customer service team on the following areas:

- Return of products due to faulty packaging or moisture in the unopened product that made the powder unsuitable for making into meals

- Requests for new flavour combinations

- Placement of new orders or monthly repeating orders (which is the only repeat order timeframe available)

- Five-star rating of satisfaction of product and likelihood of recommendation to others.

Baby food manufacturing is a highly competitive industry, with both public and private companies selling in this market. Industry data is difficult to obtain due to the lack of comparability of companies and the variety of product types that have very different manufacturing processes and consistencies (jars, pouches, powders and purees etc). To assist in comparing different baby food manufacturers, IBIS releases an annual report that contains market share information for this industry. This information is considered a key benchmark for Organic Spoon to increase its share of the market as part of its plans for high growth.

**Your task**

Organic Spoon’s Head of Finance and Administration, George Campbell, has asked you to prepare a memo for the Board that addresses the specific requirements below. He also wants you to prepare a one-page dashboard to include in the memo to the Board that shows four key charts or visualisations for your allocated functional area.

George asks you to provide both the memo and the dashboard within six days for inclusion in the next Board meeting.

**Required**

1. Prepare a memo (up to 900 words) that addresses the following:

i. Critique the appropriateness of the four (4) KPIs provided in your allocated functional area (Operations, Customer service, Marketing or Head office/Admin).

 For each appropriate KPI, state if you agree or disagree with the KPI’s target and justify the reason for your opinion.

**Note**

: When reviewing your allocated functional area(Operations), you should consider the KPI’s in the other functional areas to understand the business as a whole.

ii. Analyse four (4) areas of Organic Spoon’s financial performance and formulate insights for the board. Use the information provided in the candidate data pack management report and case study.

iii. Considering Organic Spoon as a whole, review the existing management reports.

o Evaluate whether they show sufficient information on current business operations and justify your opinion using two (2) specific examples.

o Describe one area that you would change in these reports to help the Board make decisions on future business activities.

2. Create a one-page dashboard for your allocated functional area(Operations) that contains the following elements:

i. Sales growth each month

ii. EBITDA each month

iii. Two appropriate KPIs from your response to 1i., above.

The dashboard should clearly demonstrate your allocated functional area’s performance(Operations). It should also be visually appealing and include the target provided for each KPI. The time periods to show in each dashboard element are Nov-21, Dec-21, Nov-22 and Dec-22. Take a screen shot of your dashboard and include this in your report

**Available information**

The following information has been provided to help you complete these tasks:

- Candidate Data Pack Management report

**Please see below what need to write exactly in memo and how the marks are allocated**

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| **– Memo (56 marks)**  |
| **Subject learning outcome**  | **Criteria**  | **Exemplary (100%)**  | **Highly proficient (75%)**  | **Meets expectations (50%)**  | **Below expectations (25%)**  | **Incorrect attempt (0%)**  | **No attempt (0%)**  | **Marks available**  |
| **i) Critique the appropriateness of the four (4) KPIs provided for your allocated functional area**  |
| **1**  | **Critique the four KPIs**  | Critiques **four (4)** KPIs as being appropriate to their allocated function area.  | Critiques **three (3)** KPIs as being appropriate to their allocated function area.  | Critiques **two (2)** KPIs as being appropriate to their allocated function area.  | Critiques **one (1)** KPI as being appropriate to their allocated function area.  | Incorrect attempt.  | No attempt.  | 12  |
| **i) For each appropriate KPI, state if you agree or disagree with the KPI’s target and justify the reason for your opinion**  |
| **3**  | **KPI target**  | Highly accurate justification due to clear links to the strategy or background information.  | Accurate justification due to clear links to the strategy or background information. May contain minor errors.  | Sufficient justification but the links to the strategy or background information are unclear. May contain errors.  | Poor justification due to limited clear links to the strategy or background information. May contain several errors.  | Incorrect attempt.  | No attempt.  | 12  |
| **ii) Analyse four (4) areas of Organic Spoon’s financial performance and formulate insights for the board. Use the information provided in the candidate data pack management report and case study**  |
| **3**  | **Analyse business performance**  | Analyses **four (4)** areas of business performance with accurate insights provided.  | Analyses **three (3)** areas of the business performance with accurate insights provided.  | Analyses **two (2)** areas of the business performance with accurate insights provided.  | Analyses **one (1)** area of the business performance with accurate insights provided.  | Incorrect attempt.  | No attempt.  | 16  |
| **iii) Considering Organic Spoon as a whole, review existing management reports**  |
| **1**  | **Review the existing management reports for sufficient information on the current business operations.**  | Clearly **evaluates** whether reports show sufficient information for current business operations AND Provides **two** clearly explained specific examples to justify their opinion.  | **Evaluates** whether reports show sufficient information for current business operations AND Provides **two** specific examples to justify their opinion with minor errors.  | **Evaluates** whether reports show sufficient information for current business operations AND Provides **two** examples with some explanation and an attempt at justification.  | **Evaluates** whether report shows sufficient information for current business operations AND/OR Either provides no examples or the examples provided to justify their opinion are not clearly explained or justified.  | Incorrect attempt.  | No attempt.  | 12  |
| **3**  | **Describe one area to change in the reports to help in future decision making**  | **Highly effective** and appropriate suggestion for improvement.  | **Effective** and appropriate suggestion for improvement.  | **Appropriate** suggestion for improvement.  | **Plausible** suggestion for improvement.  | Incorrect attempt.  | No attempt.  | 4  |

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| **2 – Dashboard (16 marks)**  |
| **Subject learning outcome**  | **Criteria**  | **Exemplary (100%)**  | **Highly proficient (75%)**  | **Meets expectations (50%)**  | **Below expectations (25%)**  | **Incorrect attempt (0%)**  | **No attempt (0%)**  | **Marks available**  |
| **1**  | **Structure and layout of the dashboard**  | Dashboard is **highly organised** and demonstrates attention to detail, clarity, awareness and accuracy.  | Dashboard is **well-organised** and demonstrates clarity, awareness and accuracy.  | Dashboard is **reasonably organised** and demonstrates some evidence of clarity, awareness and accuracy.  | Dashboard is **poorly organised** and demonstrates insufficient clarity, awareness and accuracy.  | Incorrect attempt.  | No attempt.  | 8  |
| **3**  | **Use of scenario materials**  | All **four** visualisations show historical information compared to the target for the KPI and are comprehensively linked to the scenario, data and materials provided.  | **Three** visualisations show historical information compared to the target for the KPI and are comprehensively linked to the scenario, data and materials provided.  | **Two** visualisations show historical information compared to the target for the KPI and are comprehensively linked to the scenario, data and materials provided.  | **One** visualisation shows historical information compared to the target for the KPI and is comprehensively linked to the scenario, data and materials provided.  | Incorrect attempt.  | No attempt.  | 8  |