

CASE STUDY

Due Diligence of CapeEx on a New Food Processing Plant

Background

A multinational consumer-packaged goods company wanted to explore the opportunity for refrigerated, value-added potatoes in foodservice in the United States and Canada. The client planned to invest \$1.5 million in production and capital infrastructure but wanted to ensure the market need prior to moving forward.

ENGAGEMENT OBJECTIVES

- Ensure a compelling strategy with a clear organizational vision.
- Conduct a thorough assessment of the business situation, programs and materials (internal and external).
- Formulate/reaffirm strategies and initiatives as key elements of the plan to meet growth and other strategic objectives.
- Assess the foodservice refrigerated potato category in terms of current size (manufacturer shipment dollars) on a “best efforts” basis in the North American market using existing data.
- Identify the top refrigerated potato items that are driving the most volume.
- Determine how the refrigerated potato category has changed over the past 2-3 years and examine the future category outlook.
- Examine the competitive landscape and identify/evaluate key competitors active in the category.
- Deliver a projected cost-to-benefit analysis and potential breakeven for ROI.

APPROACH



COMPREHENSIVE DATA REVIEW: Secondary data interpretation.



CHANNEL INTERVIEWS: FSIP developed a preliminary market sizes using trusted research sources. Interviews with stakeholders enabled FSIP to gauge changes in purchasing patterns, segment traffic and category growth.



ANALYSIS: FSIP used financial modeling to developed likely scenarios for the client, keeping a close watch on macro-economic conditions and other unpredictable variables.

RESULTS

- 1 *FSIP determined refrigerated potatoes were not a viable growth option. The costs to serve distributors, logistics and format barriers all worked against the format and ROI exceeded the client's comfort level.*
- 2 *FSIP recommended the company not invest in the business but rely on extending its current portfolio to meet revenue, innovation and market share targets.*

HUNGRY FOR MORE?

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