

Achieving a Self-Sustaining Business Model

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Anchin and The Food Institute recently partnered for a webinar entitled “Achieving a self-sustaining business model: Top 3 trends companies need to think about post-COVID-19”. Greg Wank and David Eben (founder and CEO of Carrington Farms) discussed how to have a more successful business while burning less capital and attaining self-sustainability.

Operational and Financial Strategy (Greg Wank, Anchin)

Capital Efficiency

Capital efficiency means everything you’re doing in your business has a purpose and reason, and your expenses are aligned with that reason. Being capital efficient does not simply mean spending less money, it means spending money effectively, noted Wank.

Now is the time to start thinking about post-COVID. It is not known how accessible credit will be, so it is important to preserve cash as much as possible. When examining projections, Wank recommended treating the second half of 2020 as if it’s another fiscal year due to the unusual nature of the first half.

Wank also added that a self-sustaining business is one that generates sufficient EBITDA, or sufficient cash flow, to operate independently.

Margin Improvement

To achieve a self-sustaining business, it is essential to look at gross margin and contribution margin of all different products and sales channels—evaluating the entire supply chain.

This is a good time to take a look with a fresh lens at lower margin products that don’t add much value and possibly discontinue them or find ways to improve while focusing on growing stronger margin products.

Also focus on the most productive sales channels. Know your margins by these different channels and concentrate on where you can be the most effective.

Another important topic is getting closer to key suppliers. Reexamine your relationships and emphasize strong communication. During times of crisis, communication with suppliers should be at an all-time high. Be transparent to foster mutually beneficial relationships and focus on building stronger relationships you can capitalize on post-COVID.

Be careful about concentration of suppliers. Make sure to be diversified as much as possible to maximize profitability and lower risk. Similarly, while expanding your brand, look at things with a fresh set of eyes to ensure capital is not wasted.

In addition, 2020 might be the year where sales promotion spending is down. Better partner with distributors and customers to not rely as much on promotions.

Reassessing Operations

Evaluate everything on your profit and loss (PNL) in terms of cash flow per operating item.

For a lot of companies, the biggest expense below the gross margin line besides payroll is sales and marketing. Many companies strongly scaled back on advertising and marketing during the crisis and are still reporting record sales due to strong demand for food and beverage.

Constantly assess the makeup and performance of your team. For example, what is the right size of your team? Are there too many department heads and not enough people below them to do the work? This is an opportunity to reallocate and determine the right makeup for your business.

Read the full article on [The Food Institute](#)