

STATUS TOWARDS EXIT STRATEGY – 29 SEP 2017

GENERAL CONCLUSION:

Focus and invest in two more years in the bakery to become solid and profitable (as pointed out in the business plan).

Achieved up till 29-09-17:

- solid and motivated team
- 1 manager instead of 2 managers
- 2 assistant managers
- great consistent quality of the products
- reliable supplier of goods
- MBS pre-certified
- basic cashbook admin both in written and digital
- better market insights
- wider network of customers and supporters
- more known

NEXT STEPS:

1. Trust / legal ownership
2. Finance
3. Sales /Marketing / Advertising
4. Transport: buying goods and delivering products
5. Wheat pilot
6. The volunteers house
7. Others: A. HR/ B. MBS/ C. Community Centre/ D.Generator

OVERALL CONCLUSION:

In current situation the Bem-bakery can't operate without supervisors. External know-how is necessary on finance/ sales/ buying & delivering.

1. TRUST

Several attempts have been made to speed up the process of forming the legal contract of the trust. The draft document that has been set up by Cadecom in January 2016 is still the basis. Included the feedback remarks of the P2P members. The Bishop, Father Chimchenga and Father Pinji have a hardcopy handed out 2 July 2017. On 25th September Father Pinji said this week he will be contacting the trust members to see if they are still involved and will ask Father Cimchenga about his feedback. The Parish will be local owner and Cadecom is the operating organization.

I asked father Pinji if he agrees with me that Austin (sales, marketing and business consulting) can be of value as a new trust member. He is positive.

Concerns are:

- What about daily/ weekly involvement and responsibilities of the Parish?
- What about taxes?
- What about contracts for employees?

2. FINANCE

Exaviel knows how to enter the cashbook digital by now, but still needs to be corrected with small mistakes. His excell skills are very limited and he doesn't show interest to learn. No need for him to write things down or to practice independently. We don't think he will be able to make monthly reports conforming the budget, neither will he be able to make cost calculation per product.

Options:

1. he will send a monthly digital cashbook to P2P + the sales per day and the foundation will make all calculations
2. we try to have Cadecom to be willing to help with the finance on a monthly basis

Cadecom has officially sent a request to Standard Bank to have Exaviel being authorized to sign cheques instead of Dominic (besides one of the signatures of Fr Pinji and the Bishop). Waiting for feedback of Fr Chimchenga.

At the moment there is around 700.000 MK in the safe and 500.000 MK (ONLY!) left on bank account. This is not going to be enough until 1st of December as the reparation costs for generator are piling up, (305.000 MK for AVR + winding exciter + cover exciter = > 500.000 MK??)

See mail with attachments of bank statements.

3. A. SALES

With the new bread bags and new prices we are more then ready to start our sales approach at the turn off. We were first thinking of introducing our products at market days (Monday and Thursday) at the turn off with the bread car together with the manager + 1 baker, but in the end, there is a lot of reluctance, both from manager and the bakers off doing sales. The manager would like to find out first if and how we can operate as a depot at the turn off. We agreed he will do some research this coming week before approaching some shops at the turn off with a good deal (including a teaser) this Thursday.

Most important outcome research for business opportunities:

Father Pinji

"When you can guarantee the delivery to the shops and have lower prices together with a commission I really do not see any problems. The transportation is my only concern, the quality is just good. At the turn off I have 3 shopkeepers and at the Lizulu trading 1 shopkeeper which I am certain you can do business with after my approach."

Austin (owner Green Village stationary shop) Dedza;

He is a smart and successful businessmen and good relation. Involved with stationary and also setting up a security business. He made a business proposal for TTC. The NGO's in Dedza are his clients. He is born around Bembeke (and known by Pinji) area and supports the bakery.

"To be successful in the long-term you have to invest. I advice you to be independent. You determine your own conditions and keep the most profit margins. Therefore you should have your own branded shop. At the turn off and in Dedza. A good salesperson should be hired. With a branded minivan should pick up the products at the bakery and start delivering the shops early in the morning on his/ her way to the Bem-bakery shop. Rent is about Mk 25.000 – 40.000. Salary Mk 10.000 and a commission on top. Why don't you contact the Dedza bookstore they have an empty counter and space available. Delivery to institutions like the Dedza hospital".

Sebastian from Dedza Bookstore;

“Be independent and create your own store. You will be in charge of storing the products in a good way, promote and have your own margins. Lizulu trading is a good market because Nycha bread truck doesn’t go that far and it is a big market. Dedza has already a lot of competition. To be in business the bakery has to face and cannot run away from several risks and investments.”

After contact with the Catholic owner of the bookstore it is not allowed for an external party to sell in the bookstore.

Dedza bread depots:

They work for Bakers Pride (Nkyka) and shopkeepers etc. buy their products per units. Their prices are leading for ours as being the competitor. . Depots like Donna Eggs pay their products after a few days and left overs go back to the company. This solves the cash flow problem for small shops who function as a depot.

Trading:

Business is very slow even with a good consistent products and printed bread bags. This marked should not longer have our focus. To meet the trading we can think of only selling units at a wholesale price. This gives the trading the option to set their own prices and we are not in competition with individual customers.

Turn off:

Exaviel and Agnes visited 10 shopkeepers, including 1 restaurant. He went again a week after. 7 of them are positive, 3 reacted in an aggressive way. The restaurant said they would like to order 2 a week. This sounds promising however 2 weeks later no orders have been made. Exaviel nor the ladies feel comfortable to contact them again as they react irritated when they are approached with the same story.

Bakery Shop:

The idea of making a tearoom doesn't fit Malawian culture. They don't drink and eat in the open. Selling exclusively to wholesalers and closing in will affect our sales to the school children.

CONCLUSIONS:

- The marked has to be expanding to the turn off/ Dedza/ Lizulu. The Bembeke marked is to small and to insecure for future business.
- To be taken seriously by the marked and to overgrow “the social project image” the Bem-bakery is still facing, a professional approach is needed. Leading to necessary investments.
- Using the bread car (by a hired salesperson) doesn’t show a serious business.
- A vehicle for delivery is needed. This should be branded with logo etc.
- A salesperson that has a driving license also does the transportation should be hired. A flat salary and commission on top. Austin and father Pinji are willing to help and find candidates.
- Own shop/ depot is very recommendable. At the turn off are no possibilities for the next months.
- Turn off via existing shopkeepers; extra commission needed as a teaser to promote the products
- Dedza market is difficult, because of competition.
Opportunity; institutions, lodges, schools and NGO's.

B. MARKETING AND ADVERTISING

As the marketing strategy we spread the message that Bem-bakery is there to serve the community. The USP's are:

- local products
- daily fresh (when genset is working)
- serving the community
- order and supply on demand (by a order > Mk 20.000)

Price strategy:

First period is to convince the markets and build strong customer relationships. We are cheaper than our competitors. Transport costs are included in our prices so there’s still a profit margin on units.

Customer relationships:

Shopkeepers who order over a certain amount a week save point and get a commission/ discount.

Visibility:

- Vehicle: a vehicle which is branded with the Bem-bakery logo and pay off I am the bread of life with add on "Proudly Malawian to serve our community".
- Signing turn off: next to the big TTC stone sign post we would like a add on the signpost: "TTC just 50 meters from the Bem-bakery."
- 2 x flags with logo in front garden (a lot of NGO cars driving by)
- Painted rocks with logo at M1 just before sign Bembeke; "home of the Bem-bakery"
- Radio commercial at Bembeke radio
- Branded breadboxes (we have 3 transparent boxes at the moment)

4. TRANSPORTS FOR SHOPPING AND DELIVERING PRODUCT

For selling the car we can get 2,500.000 MK (according to Patrick)

Options:

1. Buying a tricycle (new 2.8 mln MK, second hand 1.8 mln, in Lilongwe or Mozambique only) + offering motor bike driving license to Exaviel or external driver
2. external driver with own car
3. external driver driving with Bem-bakery car
4. using transport of Diocese
5. offering driving license to Exaviel

Not to forget! every year the car needs to be checked by the roads authority to get a Certificate of Fitness (204,000 MK). This is supposed to be done every January. A brief call two weeks before end of insurance to the Treasurer General of the diocese is recommended.

For the shopping in Lilongwe (pre-mix, pan oil and baking fat) we need to look for other transportation. The manager could go by bus for example, but it would be helpful if all ingredients could be bought at the same place.

- RABS: pan-oil + per-mix (both regularly sold out)
- Capital Foods: baking fat + brown flour
- H2 General Dealers (contact of Patrick, not contacted yet)

5. WHEAT PILOT

F & A will plan a meeting with Cadecom before departure to set up a time frame to make sure the wheat pilot will happen in 2018. ---> check with Jason if there is still money available for this pilot

6. THE VOLUNTEERS HOUSE

- Who is going to live in the house? For rent? Stays empty for other volunteers to come?
- What to do with the bicycles?
- What to do with inventory?
- Do we need to bring back some thing to Holland for Do & Eline

7. OTHERS

A. HR:

- The baker's women show in general good working spirit; they are less absent, willing to speed up when there's power.
- The quality of all the products is very good and consistent
- Both the assistant managers Jackline and Agnes are doing a good job. They take responsibility and are eager to learn
- Exaviel shows a good people manager. He is reliable and has a hart for the bakery and the baker woman. When given clear tasks for the day he follows up.
- Exviel lacks of pro activity/ business overview; planning/ see business opportunities/ financials and sales skills.
- The baker woman contacted last week trust member Mrs Grace Intende. There complains are that they do not

have a real contract and so not feel secure and taking seriously. They say; the work agreement fails holidays/ takes description (e.g. sales and taking care of the front garden not included) and an official employer. They feel after almost a year as they are still on probation. Father Pinji yesterday invited Exaviel and Agnes to hear from them.

IMPORTANT! As mentioned before a trust and legal local owner has to be there so official contract can be made. Again this is stressed out yesterday by Flip to Pinji. How to solve this? Make a working document in the meantime where all tasks and responsibilities are mentioned and agreed on with the employees.

B. MBS

As soon as we received the printed bread bags, we have send 2 samples to MBS. A request for a follow up audit is pending and we are expecting them to come every day. We are also waiting for the outcome of the newly registered product 'Obama'. In the meantime we have in-direct approval by e-mail to go ahead and use the bags for our product (s).

C. GENERATOR

After starting problems on 11th of September with the Generator, we have contacted Steve. He has sent a technical team the next day for the half-year maintenance but they didn't fix the problem. We have been instructed by phone to clear the air of the generator but still the generator couldn't divide the power to the bakery and the house. After some days a second team came to find out the AVR was broken. A third team arrived a couple of days later to fix the AVR and to find out another problem: the exciter, but they didn't have the right tools to get it out. We have asked the Diocese garage to assist and to come with the right tools to get it out, but after trying and being on the phone with Steve at the same time, the mechanic of the Diocese didn't succeed to get it out. Last Tuesday 19th of September Steve came him self to get the exciter out and they found out a wire got damaged. He has promised to come this Monday 25th of September the latest to place it back. We have already paid for the half-year maintenance (205,000MK), but still need to pay for the AVR (305,000 MK) and we are expecting more costs

D. COMMUNITY CENTRE BY THE PARISH:

Several inquiries by father Pinji lead to the answer that the involved parties are not giving a follow up. No one has taken this to a next level a lack of funding is the main reason given. In our mission it is determined the bakery has to be profitable before making any investments in a community centre. 6.500 euro was our given proposal to be in for the plans of building the Parish centre. Not for developing a program. No action in the near future can be expected forr now.