

# **Run the Gauntlet & Buy-Local.net**

## **June 2007**

### **INNOVATION**

#### **What problem are you solving or need you are fulfilling?**

There are several needs that we are fulfilling.

1. The need for people to purchase local, high quality produce in a modern and convenient way.
2. To offer a viable alternative for ethical and more discerning customers to the large UK Supermarkets.
3. To deliver a reliable home delivery system for the customers within Bedford and in the surrounding villages that do not have transport means of their own and are perhaps isolated from local supply.
4. The need for people to reconnect with their environment, the primary production chain and to create a bridge between farmers and the end consumer.
5. The need for a 'Green & Ethical Alternative' – offering suppliers a sustainable living, lowest possible food miles for the customer, low carbon footprint, ethical produce, minimal and recyclable packaging, and a need for a virtuous circle of investment in our area that the big corporations do not offer.
6. The need for local, primary producers and independents to market their product to a wider and more diverse audience outside of their existing limited sales formats (shop, farmers markets etc.)
7. The need for the catering sector to capitalise on the benefits of local produce for their menu's in a reliable format, with one point of contact. We also help them gain accreditation through our Council's 'Tastes of Beds' Scheme.

#### **How did your innovation come about?**

Quite simply through our own need for this service. We had been experimenting with local box schemes and felt that whilst they satisfied our need for quality and supporting a local producer, they were very limited in their format and constrained to the offer of vegetables only. We were also left wanting more at times in terms of theatre, involvement and reliability.

Like most people, we work long hours and despite the strong good intentions to support local producers, seek the best quality produce, lower our carbon footprint etc. we are too time-poor to spend half a weekend visiting 20 local shops and markets. So we thought, if we could just pull this supply chain together and make

it efficient, we could offer a service that is truly sustainable and can make a real difference.

Having worked in the food supply chain for 12 years, at times fighting hard with supermarkets for a sustainable price for our hard working farmers and primary producers, we felt strongly that we could create a different market. We knew we could offer almost all of the benefits that the supermarkets offer customers (except below cost of production pricing!) but add further value through connecting local people with local suppliers, and of course many other USP's that we have created to protect a premium for our suppliers and make our business viable.

And so Christmas 2005 we decided to 'Run the Gauntlet' and go for it! [www.buy-local.net](http://www.buy-local.net) was created.

### **What customer interaction have you had and how has it changed your product?**

We knew we had to validate our perceived market before we went ahead and started to build our business. On that basis we held several pre-launch stands at shows and opportunities to engage the public about our product and service. We asked potential customers what they would be looking for from our concept that would motivate them to leave the car on the drive and have buy-local.net deliver to their door. This was invaluable and was the backbone for building our website, supply chain, logistics and culture.

Key drivers of purchase would be:

- A premium product that competes with supermarket 'top tier'
- Less packaging
- More information about the producer, their standards and products
- A reliable service
- Delivery time slots until 10pm in 2 hour chunks
- Ability to shop 'as and when' without a weekly commitment
- A fast website interface that offers security of personal information
- A recognised online payment collection merchant
- A friendly face that offers product knowledge and expertise

Since launch we have made a conscious effort to continue gathering customer feedback. Each supplier has a 'mini-website' with an email link to us for customers to comment about quality and product range etc. This has been a terrific medium to allow us to diversify our offer and deliver what the customer wants.

We have regular contact with all our customers every week as we physically carry out all the deliveries. Doorstep face to face is by far the best litmus test of whether we are delivering customer satisfaction.

We organise farm walks and showcase events, such as a recent local food and beer festival we organised for our existing and potential customers 'meet the team' and try our products before they buy. These have been invaluable and really bridge that gap between cyber-space and a friendly face!

We are also now carrying out a program of phone calling and mail questionnaires of existing customers and those who have registered and not purchased.

We also produce a regular weekly e-newsletter and monthly online magazine and write for local community magazines as well as our local free press.

### **How could your innovation change the world?**

We live in a world now whereby lowest cost is king. Tesco account for 1 in 8 pounds we spend in the UK and are now looking to America for the next stage in their global domination plan. Supermarkets have an EDLP (Every Day Lower Price) culture and as consumers we feel we are getting a great deal for our pockets. We live in a 'throwaway society' where everything is replaceable, we use wasteful packaging to attract purchase, and retailers do not reflect cost of production or world markets in their pricing strategy.

As consumers we have been increasingly oblivious to how food reaches our plate, how in order to make products cheap for the end user we are exploiting third world and developing countries, and how EDLP actually affects the wages that we take home, as ultimately a large proportion of us are directly or indirectly working for these large food retailers.

As in many walks of life, we have been living UNSUSTAINABLY.

The future is changing these practices, offering an ethical and sustainable alternative. What sense will it make going forward for wine to travel from Australia to Mr. Supermarket in Bedford when we produce fantastic local wine 8 miles South of our town? Likewise within the UK why do we transport our food hundreds of miles to supermarket 'hubs' only for them to re-trace their 'food miles' back to the store they passed in the first place! This will not be allowed to continue and is a fundamental problem the supermarkets will struggle to solve – we offer the solution to this problem.

All this is not just particular to the UK. We live in the age of 'Globalisation' and if we do not find ways in which to satisfy consumers need for convenient and modern retailing of sustainable local produce, the world over, our planet will

eventually lose it's regional character, identity and challenges such as global warming will become insurmountable.

We believe Buy-Local.net and initiatives like ours CAN make the difference in a more responsible world that is currently opening its eyes!

### **What is the hardest part of your innovation to copy?**

As of August 2007 our logo, title and activities will be covered by a registered Trade Mark from the Patent Office.

The great thing about what we offer is that at local level it is totally unique. Using Bedford as an example, the range of supply that we offer, all produced locally, is finite. There are only so many lamb producers/butchers, only a set number of grapes to be picked, only a limited supply of Free Range chicken. We have long term contracts that are legally binding with all our suppliers, and any future Buy-Local.net franchises will have the same infrastructure.

We have developed unique technology systems that rank deliveries by local postcode, that deliver a fully traceable supply system and that produce ledgers and reports for suppliers and ourselves. None of these aspects of our framework are visible to any potential competition and the size of the iceberg beneath the sea is much larger than what is visible above it.

What else is in our favour is lead time. We can respond much faster to trends and developments at local and national level, implementing change much faster than our competition and this gives us the edge we feel will be vital.

## **TEAM**

### **What skills does your venture need and lack?**

We have ambitious plans to franchise Buy-Local.net first regionally, then across the UK towards the end of 2007 through to 2008. This process has already started and we are using a franchise consultant to help us develop this next crucial stage of our development.

We built the website in the first place to allow us to clone it for different sites across the UK, and have been given a big vote of confidence from our consultant that we have a model that is profitable for a franchisee.

What we do not have is any experience or existing skills in terms of managing a national franchise network. That is not to say that we will not manage it, but it is

the single most important aspect of our business growth plan where we are outside of any previous experience or Knowledge.

### **What business experience have you learned most from?**

Having to attract new customers to a new business that has no brand identity, no track record, no chance of competing financially with our competition in the large supermarkets, and no previous experience of direct marketing from B to C.

The journey we have been on to make the very best of the limited resource that we have has been the most valued, frustrating and rewarding experience we have ever had. We have both worked for large organisations, with large budgets, and on that backdrop you can be patient and wait for that customer or deal to happen. When it is your own money, with even more sweat and tears than ever before, it means so much more.

We have become much more creative, and although it is a cliché we really have had to 'think outside the box' to give our business a platform and a profile. When you see a blank order form, you must find a way of changing that situation when so much is at stake.

### **Who is the one person you would most want to have on board your venture and why? (You can describe them by position and attributes if you don't want to name them)**

We have thought long and hard about this question. We undoubtedly need a 'Champion' who has public profile, a celebrity perhaps, that will not only champion our cause and sell our business goals and ethics from a public platform, but also have a skill set that compliments our business and a vision that will take us forward.

If we were to set a sector or type, we have thought about celebrity chefs, food campaigners, sports people or someone on an ethical platform that would wholeheartedly endorse our business, bring us vital contacts, and bring skills, know-how or maybe capital to help us achieve our goal of national coverage and brand awareness.

If we were to be drawn on names, we need a 'Jamie Oliver' equivalent for Buy-Local.net who is an avid supporter of local quality food – maybe Gary Rhodes who is part of the 'UKTV Local Food Heroes' program that we have put ourselves forward for this year. Possibly Hugh Fearnley-Whittingstall who champions high welfare, quality local produce.

If we look at sports people, at local level we could use local icons such as Gail Emms or Paula Radcliffe. On a wider scale a more high profile champion may be needed?

Maybe a political figurehead could be beneficial? Someone who would have experience of commerce, and is on an ethical platform. David Cameron recently mentioned Buy-Local.net in his Oxford Farming Conference speech, this helped our profile enormously.

Perhaps someone from the business world that has been successful from trading from an ethical stance, an Anita Roddick maybe? They would then also bring massive benefits in terms of business basics and understanding the needs and wants of ethical consumers.

### **What are the 5 most important attributes in an entrepreneur?**

1. Determination
2. Patience
3. Confidence
4. Passion
5. Creativity

### **MARKET**

#### **How quickly will your target market be growing per annum at the time of product launch?**

Over 50% per year.

#### **What is driving this growth?**

There is a general sea-change in the mood of the consumer. We believe they are becoming increasingly disenchanted with large supermarkets making huge profits in the £bn's on the back of mistreating suppliers and taking customers for granted. Consumers are wanting to know more about the provenance of the product they are buying, and are shopping with a conscience (you only need look at the success of FairTrade and that growth of the 'Whole Foods' and 'Organic' market).

If we look at the route of all of this change in mindset and attitudes, the media have by far had the largest influence. In a positive sense by raising awareness of exploitation and highlighting supplier hardship through fly-on-the-wall

documentaries, and in a negative sense through sensationalising food scares such as Bird Flu and Foot & Mouth.

Supermarkets are also always looking for that unique point of difference that will set them apart from their competition, and therefore the ethical & sustainable platform has been a useful one for them to exploit, but dangerous ground when you look at the nuts and bolts of how they operate.

We are also increasingly being given targets in terms of reducing mans impact on our surroundings and our planet. 'Responsible' and 'Green' credentials will be the boxing ring of the big boys going forward, and this is a fight in which we hope and feel passionately that the lightweight has a fighting chance against the heavyweight!

### **Who is or will be your biggest customer and why?**

We are essentially a home delivery service of retail priced food. Our model is built around taking a reasonable margin from the top of a retail price that the supplier sets to allow them a sustainable living. On that basis, despite some success with the catering sector and some gastro-pubs etc, we currently make over 80% of our income from the weekly shop from residential customers.

We have split our customers into several market sectors or 'clusters' that we identified firstly in our business plan, and revised since we have been trading. This gives us a great platform to build our promotions and offers around and allows us to try and understand what their requirements are.

We have by no means ignored other areas in which we can operate, and have in our business plan an idea of how we can tackle them, but they are currently markets that are looking for lower prices as their primary driver, and our hope is that we can work on that attitude and change opinions, but this will take time. For instance the possibility of serving pubs with larger wholesale supply of local food is a real challenge that we are about to take on. With the advent of the smoking ban they are looking to differentiate themselves around food, which is a great opportunity, and one that in the medium/longer term may prove more profitable due to larger volumes.

### **Estimate your market size?**

Over £250m

## **What might impact the market size?**

The market will always be huge as we are dealing in a market that is an essential of every day life – food and drink. However areas that may affect its size are vast. Food in 1963 was 24.5% of household expenditure, in 2006 it was just 8% (source TNS). Areas therefore that can affect market size are:

- Economic Downturn or Prosperity
- Positive or Negative media attention
- New players in the market
- New products that drive the sector in a new direction
- Food Scares
- Change in consumer attitude
- New working practices and lifestyle habits
- Climate and the ability to grow food and rear animals
- Diets and fads
- Government and Legislation
- Lobby boards and pressure groups
- Demographics and the profile of our population

## **What are the major strengths and weaknesses of your major (top 3) competitors?**

We would define our top 3 competitors as the major retailers that are offering a home delivery service. We may also classify the likes of Abel & Cole and other local vegetable box schemes as semi-serving our market also.

### **Strengths:**

Brand recognition, national coverage, track record, different purchasing mediums, larger buying power, very large team of marketing and other industry experts, loyalty programs well established, promotional activity, celebrity endorsements (i.e. Jamie Oliver), huge capital to play with, more diverse product range, financial products, offer recognised products that we don't, influence in local and national politics.

### **Weakness:**

Negative press campaigns, poor consumer opinion at present, slow to react at times, can be accused of being too dominant, lack of expertise and product knowledge at the front end of their business, struggle to offer a truly 'local' campaign and product base, seen as exploiting staff with poor wages, OFT investigating activities, hamstrung by the food miles issue with large central depots, accountability to the city and shareholders, risk taking becomes harder – more to lose if something goes wrong (i.e. recent petrol problem).

## **INVESTMENT**

### **Why are you seeking equity funding rather than other forms of funding like grants and loans?**

The whole process of 'Running the Gauntlet' excites us so much. We recently were finalists for our region in the 'Shell Livewire Young Entrepreneur of the Year Award' for 2007. We met good people with sound advice regarding the next stage of our development, and most advice came in the form of getting outside equity and expertise into our business.

We have set up our business on sound foundations, no borrowings, and have no personal debt to care of. Any investment in our business will go straight into building the base for extra profitability and not for paying of existing debt for work in the past.

It is not just the money that we are interested in. We know we can comfortably raise finance from the banks. We need an additional influence on our thinking, someone who will challenge how we go forward and question how we use the resources we have. We have ambitious plans to grow our business nationwide through the franchise route, and a cash injection along with the expertise behind it will allow us to kick on to the next level.

### **What would you do differently with half of the funds you have asked for? And double the funds?**

#### **Half:**

We would look at how best we could use what resources were left to us. Our priority at this stage is to find a way through the next 6-12 months. Lisa is 6 months pregnant and will soon not be available to Buy-Local, so our priority is a solution here.

We are currently looking at 2 angles to develop beyond where we are today. The first is for Bedford to be the first franchise package sold, and with the goodwill we have built up, we should be able to realise a healthy sum of money. However the timescales we have are very challenging.

Option 1 - The more realistic alternative at this stage is to employ someone who can bring expertise and new effort into our business. Half the money would be very useful to help deliver this essential addition to our business, in terms of

bringing new ideas and skills, and the cover we need to get us through our personal situation.

Option 2 - Our sales by no means have reached the level we have targeted yet in our Bedford template, and we could use half the money for a sustained campaign here in Bedford. This would help us tighten up on our regional marketing program for the franchisees, give us a cash injection to move into 'Phase 2' of the website development, begin the process of attracting a local franchisee, and maybe recruit some help to allow us to work 'on' our business instead of 'in' our business.

So either option would really move us forward in a big leap we are certain.

### **Double:**

With double the funds Rick would look to quit the day job that is still vital at the level we are at. This would free up time to focus 100% on Buy-Local.net and some of the other exciting ideas that we have, as well as developing the existing business.

One of these is for a 'Buy-Local.catering' service which allows us to deliver a wholesale LOCAL offer to gastro-pubs and caterers in our area, as well as developing this as a future model for our franchisees.

We also would love to branch out of the house into an office of our own and we could use some of the capital to help us get started with our own professional base which is soon going to be vital.

**Can you name any comparative deals or companies which validate your current or future value?**

### **AboutMyArea.co.uk**

Whilst AboutMyArea.co.uk is local in its content, it is also one of the fastest growing businesses in the UK, with a national network of over 200 AboutMyArea 'community websites', each sharing the common goal of being lots more than just a business listing service.

Housewife Rachael Taplin created AboutMyArea, a local community website which launched in early 2005 and is already a national media brand with over 150 franchisees and over 175 local community websites!

A leading franchisee was able to make his original investment back within 3 months of starting his business and continues to generate £3500 - £5000 per month in revenue from just one postcode area.

AboutMyArea franchises are offered on a postcode basis and all postcodes have different populations. The price structure for Franchisees is as follows;

<b>Population Range</b>	<b>Initial investment + VAT</b>	<b>Monthly Fee + VAT</b>
0-30,000	£5495.00	£150.00
30,000-60,000	£5995.00	£195.00
60,000-100,000	£6995.00	£250.00
100,000+	£7995.00	£295.00

#### **Example of earnings for Franchisee:**

225 businesses taking an enhanced business listing ad x £150 = **£33,750**

Each page has plenty of banner and side ads. These too generate revenue. Each of these banner ads generate on average £10 per month and that 25% of your advertisers take one of these as well.

225 advertisers x 25% = 56 advertisers

56 advertisers x £10 = £560 per month

£560 per month x 12 months = **£6,720**

**£33,750 + £6,720 = £40,470**

We believe this is a terrific example to use as a model for Buy-Local.net to measure ourselves against. Once Phase 2 of our web build is complete within the next few months, we will offer almost all the functionality and features that AboutMyArea offers, along with the USP of being able to connect local people with local products and suppliers etc.

Our 'Initial Franchisee License' for 5 years is £8,995, with 5% of turnover as our 'On-going Fee' and 2% 'Marketing Fee'.

If we achieve the 175 sites within 2 years as AboutMyArea have done, based on our initial Franchisee Fee of £8,995, we will gain £1,574,125 in subscriptions alone. This by itself would give a very profitable return on investment for any potential investor.

