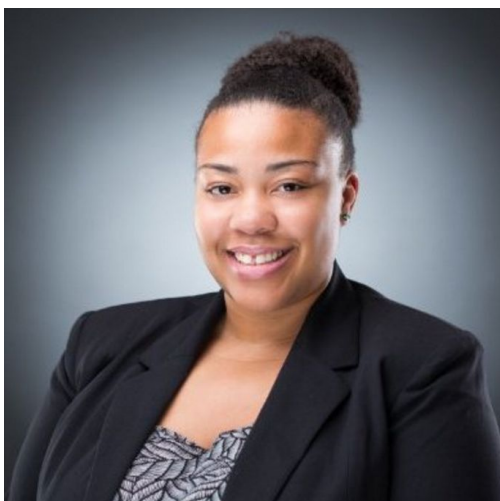# Introduction

Smith Consulting Team

Margarita Murphy
- Finance
- Consulting

Erika Thompson
- Marketing
- Communications

Ciara Scott
- Marketing
- Accounting

Ryan McDonald
- Business Development
- Strategy

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Project Scope

In Scope

- Hungry SWOT analysis
- Market analysis
- Analysis of competitive landscape
- Identification of 2-3 cities for geographic expansion

Out of Scope

- **Identification of approaches to geographic expansion**
- **Launch Strategy**

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Agenda

Suggested Approaches

Recommended Expansion Strategy

Launch Strategy

Suggested Approaches

Approach I: Second Mover

Overview:

➢ Expansion into the largest markets with large competitors' presence

➢ Higher potential revenues, larger talent pool and a potential to capture large market share

Benefits:

Customer Development	First movers provide a learning curve about customer needs and values.	Less initial customer development or product validation work are needed.
Product Management	The first movers' product becomes a "test" product	Product testing and optimization more cost and time efficient.
Customer Acquisition	First movers develop and test multiple channels of customer acquisition	Time and capital savings related to customer acquisition are realized.
Procurement	The first mover does the heavy lifting of getting customers to switch from an existing and inferior product – traditional catering model.	Customer acquisition costs are lowered

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Approach II: Local Expansion

Overview:

➤ Soft launch expansion - Based on proximity to DC

➤ Maintaining single office location during soft launch stage, contributing to lower costs

Benefits:

➤ Similarity in market composition allows to systematize the growth and take advantage of learning-curve effects

➤ Network effects make talent acquisition time and cost efficient

➤ Client acquisition through networking is more effective

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Approach III: Mid-Size Markets

Overview:

➤ Expansion into the mid-size markets with fewer competitors and a large presence of high growth companies

➤ The strategy is a midpoint between local expansion and second mover strategies in terms of cost and benefit profile

Benefits:

➤ Low competition allows the new entrant to establish dominating position in the market

➤ Lower entry costs compensate for a smaller market size, relative to the largest markets

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Approach Matrix

Approach	Pros	Cons	Recommended Cities
Local Expansion	- Lower cost - Lower risk - Networking effects	- Smaller market size	Baltimore, MD Philadelphia, PA
Second Mover	- High revenue potential - Large talent pool - Potential to capture large market share - Lower risk due to second mover advantage	- Higher cost of entry - Higher risk - Potential excess volume (the company may not be ready to handle volume with current capacity)	New York, NY Los Angeles, CA
Mid-Size Markets	- High revenue potential - Lower competition (relative to the largest markets)	- Higher risk - Limited profit potential due to no initial cost savings	Atlanta, GA Denver, CO

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Expansion Strategy

Recommended Strategy: Stage I

Stage I: Mid-Size Markets

- Increase in capacity and market knowledge

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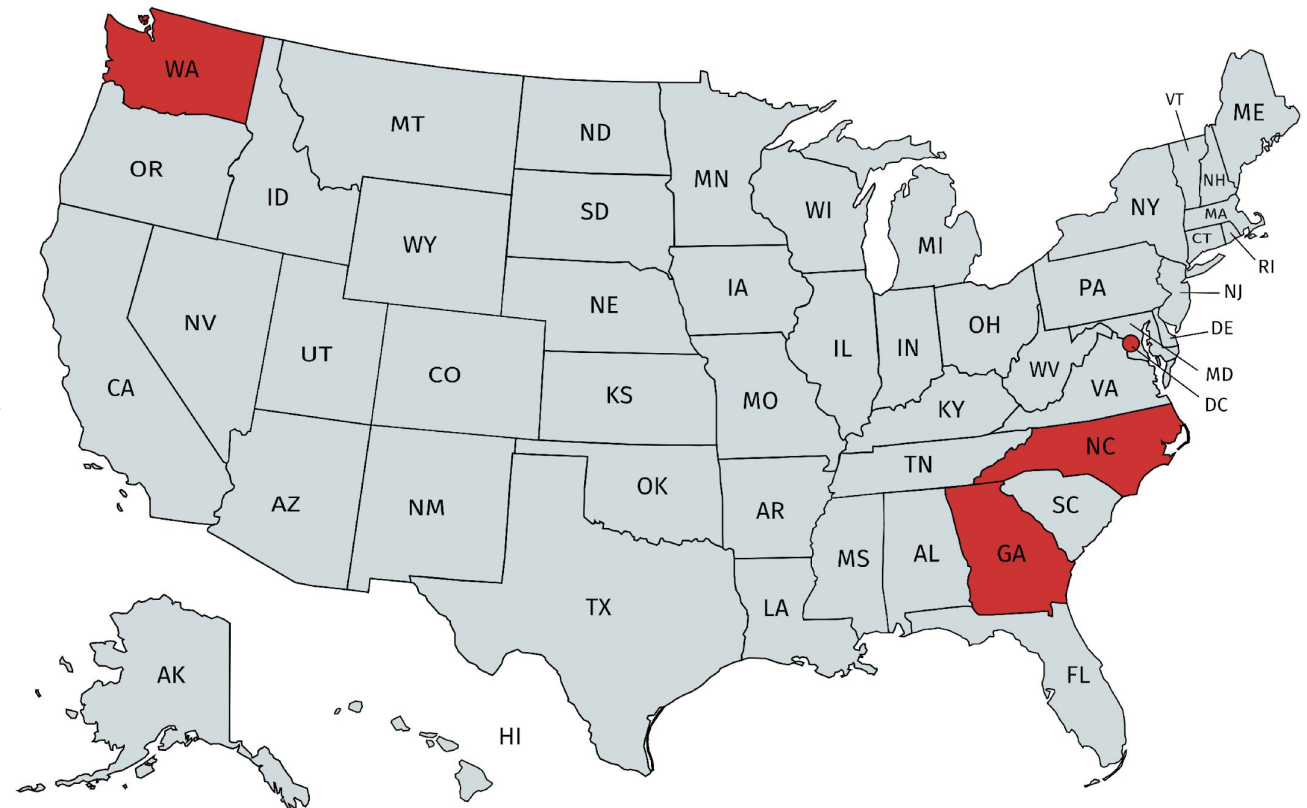
  ~~Excess Volume Problem~~

- Economies of scale obtained locally

  ⬇

  ~~High cost of entry to larger markets~~

Recommended Strategy: Stage I

Stage I: Mid-Size Markets

- Increase in capacity and market knowledge

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  Excess Volume Problem

- Economies of scale obtained locally

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  High cost of entry to larger markets

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Recommended Strategy: Stage I

Stage I: Local Expansion

- Increase in capacity and market knowledge

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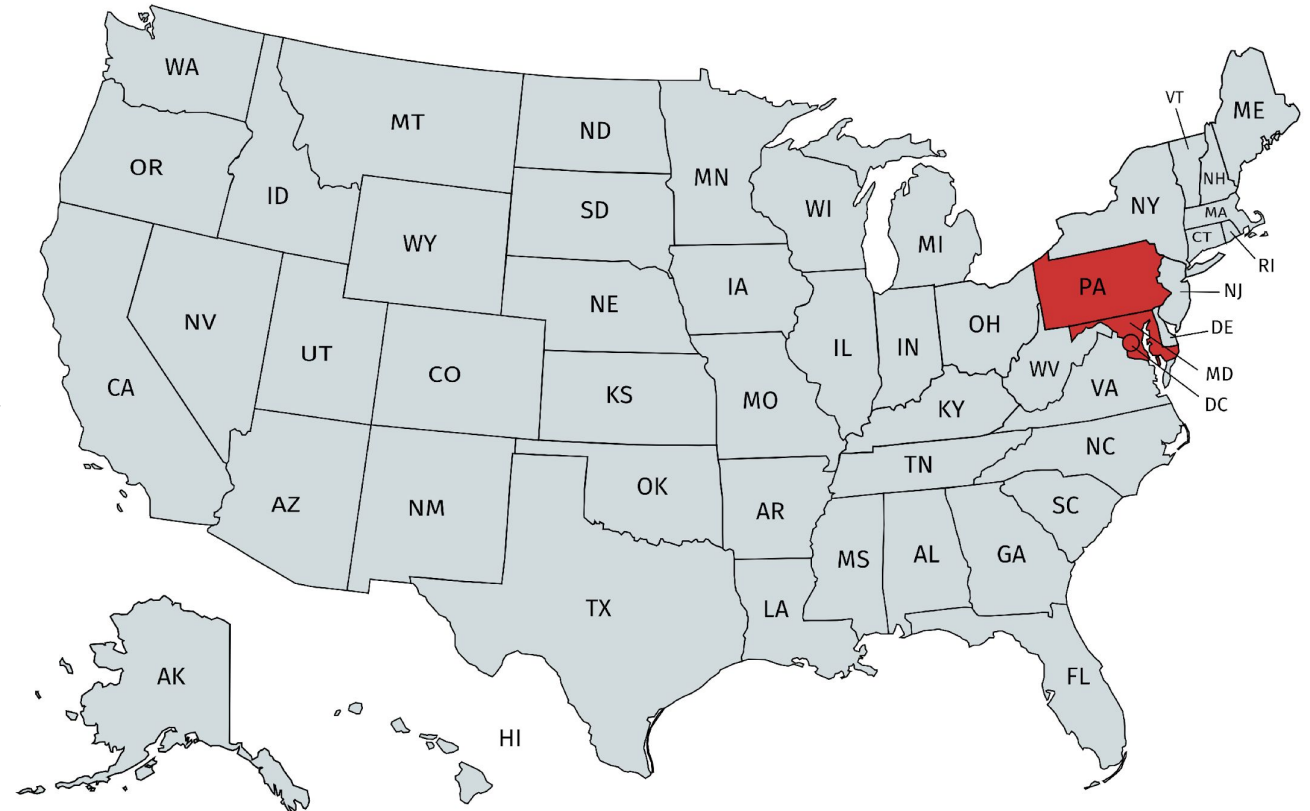
  ~~Excess Volume Problem~~

- Economies of scale obtained locally

  ⬇

  ~~High cost of entry to larger markets~~

Recommended Strategy: Stage II

Stage I: Local Expansion

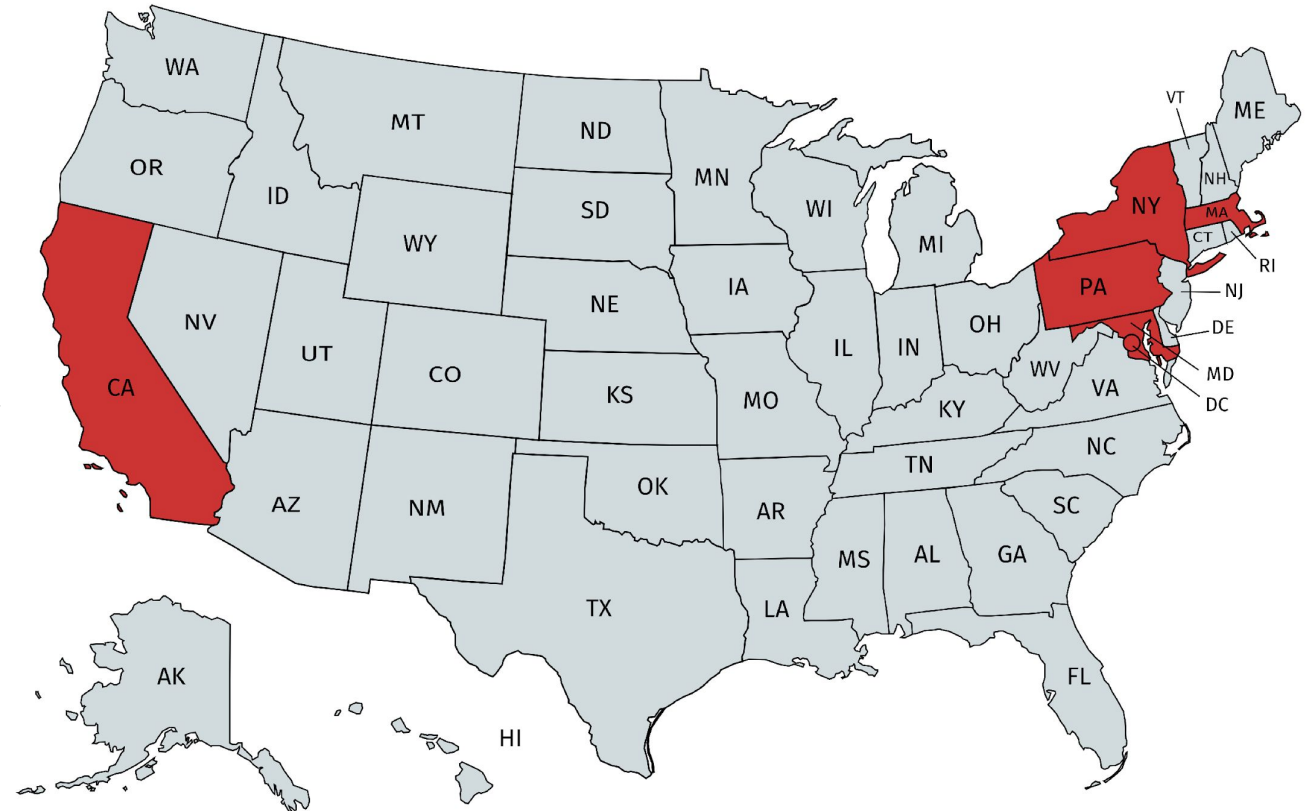- Increase in capacity and market knowledge

~~Excess Volume Problem~~

- Economies of scale obtained locally

~~High cost of entry to larger markets~~

Stage II: Second Mover

- Cons of the strategy are removed during Stage I
- Close monitoring of the competitors in the largest markets during Stage I is recommended

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Launch Strategy

Launch Strategy

Areas of Focus:

➢ **Product Testing**

➢ **Customer Acquisition**

➢ **Supply Procurement**

➢ **Operations and Logistics**

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Product Testing

The benefits of early launch (the product is **33% launch ready**):

➢ **Market will indicate what needs to be customized and what can stay standard, as well as degree of customization, without further delaying establishing Hungry in Baltimore**

➢ **Identification of how the product should be positioned - upscale menu across the markets vs adjustment based on the degree of market sophistication**

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Customer Acquisition - Channels

Sales Reps

➤ **Increased social media presence**
- ○ @tryhungry - Content Marketing
- ○ @officialfoodgroup - 53.2K followers - Baltimore, DC, Orlando
- ○ @liketheteaeats - 11.1K followers - DC, Baltimore, NY
- ○ Ambassador program with social media influencers

➤ **Free meal for Baltimore Chamber of Commerce**

➤ **Site visits with key decision makers at targeted companies**

Strategic Partnerships

➤ **Individual and corporate concierge services**
- ○ B At Your Service
- ○ Charm City Concierge

➤ **Office/building management companies**
- ○ www.cityfeet.com

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Customer Acquisition - Recommendation

Maintaining several channels of customer acquisition during testing stage of the launch allows for comparison and analysis of the following components:

➢ Optimal channel structure (for ex. 20% salesforce, 80% partnerships)

➢ Break even point for setting up Baltimore hub

➢ Sales reps' compensation

➢ Terms of strategic partnerships

Supply Procurement - Channels

Launch Strategy

Operations and Logistics - Sales Reps

Option 1

2 sales reps

➢ 1 new rep dedicated to Baltimore

➢ 1 current DC rep that splits time between DC and Baltimore

➢ Keep current base and commission rate

Option 2

2 or more sales reps

➢ 2 dedicated sales reps in Baltimore for aggressive launch

➢ Higher % commission vs. base compensation

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Operations and Logistics - Chefs

DC Chefs

Serve DC and Baltimore Clients

Pros
➢ Large network
➢ More opportunity for DC chefs

Cons
➢ Longer service process
➢ Higher cost to serve
➢ Temporary circumstances

Baltimore Chefs

Serve Baltimore Clients Only

Pros
➢ Faster service process
➢ More cost efficient
➢ Easier transition for chefs

Cons
➢ No DC Orders

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Operations and Logistics - Drivers

Driver Commuting Time (load time not included)

DC Chef ➡ Baltimore Client		
Driver Originating from Baltimore		
Baltimore to DC	DC to Baltimore	Max Total Commute
1h 15m - 2h 20m	1hr - 1h 30m	~4 hours
Driver Originating from DC		
DC to Baltimore	Baltimore to DC	Max Total Commute
1h - 1h 30m	1h - 1h 30m	**~3 hours**

Baltimore Chef ➡ Baltimore Client		
Driver Originating from Baltimore		
Kitchen to Client	Client to Kitchen	Max Total Commute
25 - 45m	25m - 1h	~1h 45m

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Operations and Logistics - Drivers

Current Order Frequency:
1-13 order per day
15 contractors
8 average orders daily

Adding Baltimore:
Add another 4 contractors (2 in DC, 2 in Baltimore)

➤ *DC Chef* ⟹ *Baltimore Client: Use DC-based drivers*

➤ *Baltimore Chef* ⟹ *Baltimore Client: Use Baltimore drivers*

➤ *Baltimore Chef* ⟹ *DC Client: Generally not recommend*

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Summary of Recommendations

Expansion Strategy:

➢ Two stages: local expansion followed by the entry to the largest markets

➢ Baltimore as a test market for the strategy

➢ Close monitoring of competitive landscape in the largest markets during stage I of expansion to gain second mover advantage

Launch Strategy (Local Expansion):

➢ Soft launch with the product 33% launch ready

➢ Maintaining and monitoring several channels of customer acquisition

➢ Maintaining and monitoring several channels of supply procurement

➢ 2+ additional sales representatives for Baltimore market

➢ 4 additional drivers for Baltimore market

➢ Baltimore chefs and drivers to serve only Baltimore market

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