

McGill StLaurent

Where's the beef?

GOODMAN SCHOOL OF BUSINESS
BROCK UNIVERSITY

BRADEN DAY, CARSON BENDER, PULKIT MODI, ASHWANI JANAGAM



Where to go?

Where to take McGill StLaurent next?

Recommendation

Add another commodity trading division to the portfolio of McGill StLaurent (beef) while creating wood plastic composite products under their architectural division

Key Success Factors

- Cash cycle
- Inventory Turnover
- Gross Profit
- ROI
- Sustainability

The Plan

Create a new trading division to start trading beef

Start trading the beef commodity in North America. McGill Meats

Diversify wood product portfolio by introducing Wood Plastic composite

Bring AI technology to the Beef market

Have a portal for customers to input what they need and allow machine learning to find trends

Situational Analysis

Core Competencies

- Relationship focused
- Reliable and trusted logistics
- Strong brand image
- Risk management

SWOT

	Build (Wood)	Feed (Grain)	Power (Energy)
S	<ul style="list-style-type: none">Control over distribution, logistics, salesUsing e-tailers	<ul style="list-style-type: none">Quality relationships	<ul style="list-style-type: none">Risk management
W	<ul style="list-style-type: none">Less marginLack of technical advances	<ul style="list-style-type: none">Smallest business unitNo diversification	<ul style="list-style-type: none">Storage problemMore volatile
O	<ul style="list-style-type: none">Strong demand expectations	<ul style="list-style-type: none">Demand is steady	<ul style="list-style-type: none">Open marketDeregulated market
T	<ul style="list-style-type: none">Less barrier to entryThreat of substitutes	<ul style="list-style-type: none">High competition	<ul style="list-style-type: none">Climates changes disturbanceStorage of energy

Relationship based:

- Already have contacts in the farming industry
- Already know the agricultural industry with grain
- Already have consumers in the wood products

Reliable logistics :

- Can ensure reliable on-time delivery as beef is perishable
 - Masters at JIT inventory
- Supply the grain and feed for the farmers
- Deliver products to customers JIT

Strong brand image:

- Suppliers trust McGill StLaurent
- Customers rely on McGill StLaurent
- Continued reliability in wood products amongst customers

When trading food for human consumption brand image is critical.

Risk Management:

- Strong growth in the beef market as more and more consumers are consuming beef
- Strong connections with current agricultural customers
- Growth in beef production emerging markets. India is #2 producer of beef in the world
- Product diversification in the wood product market

Alternatives

Alternatives

1. Enter into trading a new commodity
2. Expand current trading markets with product innovation
3. JV with a domestic trading company internationally
4. Become a manufacturer of commodities

Rejected Alternative 1

JV with another trading company internationally

- + Growth potential high
- + International presence possible
- - Cultural difference
- - No insights for customer characteristics

Rejected Alternative 2

Become a manufacture of commodities

- + Good margins on products
- + Sustainable and made from recyclable material
- - Misaligned with core competencies
- - Perfect competition, less advantage of manufacturing

Accepted Alternative

Enter into trading a new commodity (beef) and expand current trading markets (WPC)

- + Grain and beef go together
- + Growing beef consumption
- + Already established connections
- + Sustainable, Different positioning – WPC

Additional \$6 million in AI support

Why Beef?

- Customers of grain will be suppliers of Beef
- Twice the usage of already established relationships
- Steady growth with population and trends,
- Favourable market in our current region
- Perfect competition
- Food regulations for US and Canada already known

Why Wood Plastic Composite?

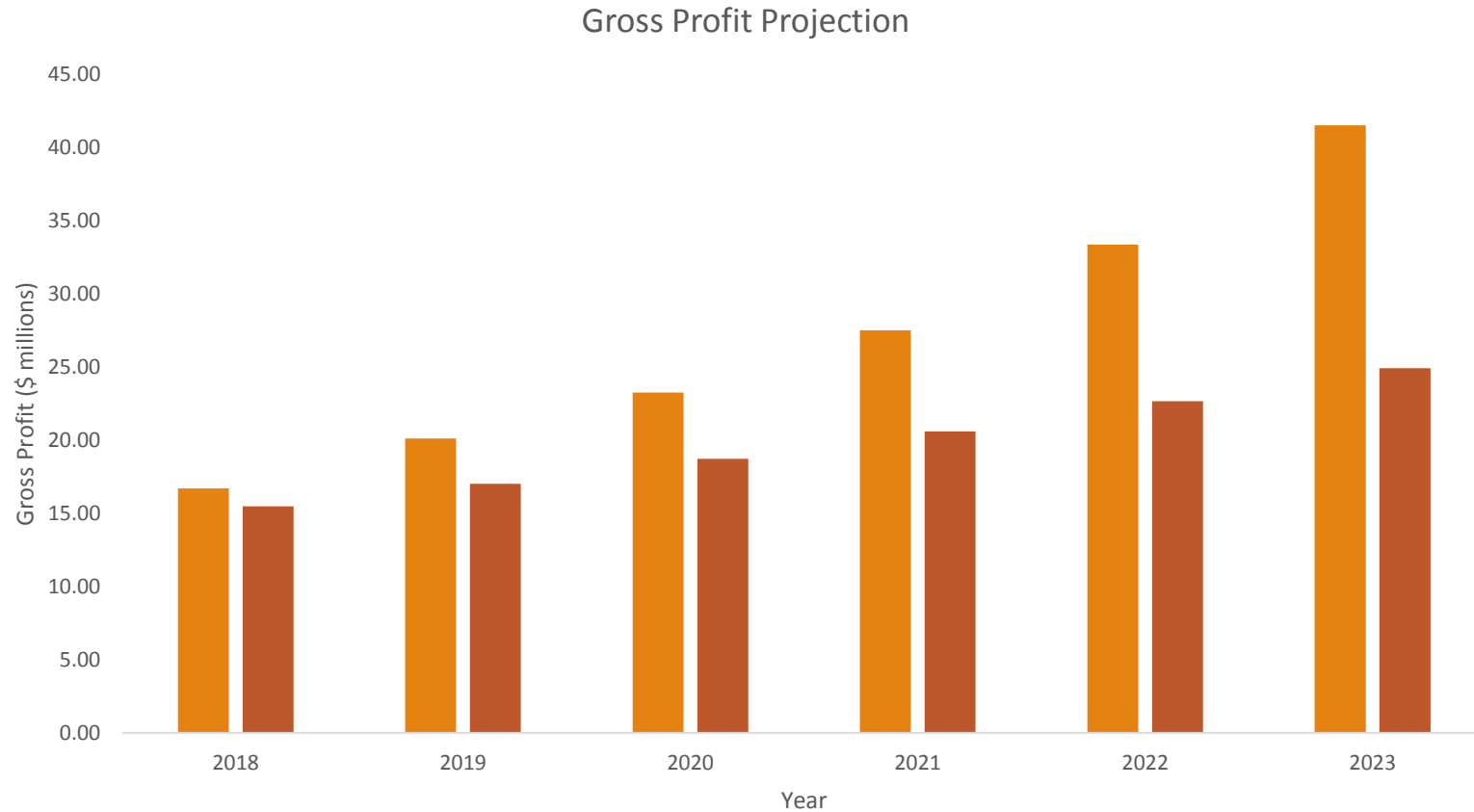
- WPC is a wood plastic composite made from wood and recycled plastic which is more machinable, more durable, water proof, fire safe and customisable.
- Mid to high end product, Can't be imitated easily
- Relation with yacht builders, architects and aviation industry can be leveraged
- WPC will be procured from Europe and Asia, B2B model will to be followed
- Offers differentiation and growth potential is high

Financials

Assumptions

- Low end of GM for all products
 - 4% for grain, energy and beef
 - 6% for CWP
 - 25% for Architectural products
- Beef achieves \$25 million in sales year 1
- \$60k per employee hired

Gross Profit Projection



ROI 34%
\$3.4 million NPV

Costs

Costs (\$1000's)	2018	2019	2020	2021	2021	2021
Employees for Beef	360	360	450	450	450	450
Employees for Grain	180	180	180	180	180	180
Employees for Architectural	360	360	360	360	360	360
Obtain Clients for WPC	500	50	50	50	50	50
Obtain Clients for Beef	50	50	50	50	50	50
Contract AI	2,000	2,000	2,000			
Implement AI				1,000	1,000	
Total	3450	3000	3090	2090	2090	1090

Implementation

Beef Trading Implementation

1. Hire 5 new employees to form a beef commodity trading team
2. Call existing agricultural contacts to form a relationship and understand the beef market and what they want
3. Start procuring contracts for beef with sustainable partners
4. Develop a buyer friendly IT system that links consumer needs with suppliers product while predicting needs and identifying trends

Implementation for WPC

1. Connecting with speciality wood suppliers
2. Conduct seminars and conferences across targeted markets and suppliers to educate about the new product
3. Focus on the differentiated benefits and use of the product
4. Leveraging influencers such as architects to recommend WPC

IT Implementation

1. Research a the customer friendly IT system that can identify orders and potential suppliers
2. Use machine learning to act on identified trends and predictions from the AI IT system
3. Monitor reports and knowledge that comes from the big data collection
4. Use the network of shipping partners to ensure on-time delivery of this goods

Risks

Failure to stimulate demand for WPC

Continue marketing and developing alternative usages

Offer product samples of innovative usage

Risks

Perishable meat transported without compliance to food safety regulation

Regulatory compliance and certification, Conditioned atmosphere during transportation

Key Takeaways

Cash cycle: increased growth in beef market with high inventory turnover

Inventory turnover: Beef turnover = 60, WPC = 75

ROI: is 34%

Sustainability: Technology integration with WPC, Higher sustainability standard for beef

Gross Profit: Technology integration to match with integration, Higher investment in AI

Thank You

