

Franklinton Center at Bricks STAR Presentation



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Agenda

- 1 Executive Summary
- 2 Customer Analysis
- 3 Outreach Strategy
- 4 Implementation Plan
- 5 Next Steps



Executive Summary

Situation Overview

The **Franklinton Center at Bricks** has consistently shrunk deficit year-over-year since 2011, despite capacity constraints. Rising revenues from hosting helped close the budget deficit, yet the Franklinton Center at Bricks remains unprofitable. A new marketing plan and internal improvements are necessary to propel FCAB to sustainable profitability.

Key Question

The **UNC STAR Team** has been brought in to identify how FCAB can most effectively increase Mission-Aligned earned revenue from \$361K to \$750k annually by July 1, 2022.

Customer



To properly identify what current customers want out of their experience at FCAB, a survey to recognize key demands from existing customers must be implemented.

Outreach



To create a more streamlined marketing plan, national and local partnerships must be identified and a thorough analysis of competitors must be performed to identify best practices.

Implementation



In order to more effectively understand current and future revenue sources, changing financial practices to a new budget model and accounting system is necessary.



Primary & secondary research has and will be conducted to identify recommendations

Primary Research	Interviews	4 Staff Interviews
		9 Previous Customers
		3 Peer Organizations
		15 Executive Leadership of FCAB
	Survey	18-24 months worth of previous customers of FCAB
	Product Sampling	Site visitations and observations
Secondary Research	Industry Reports	Orbis and Reference USA Company Data
		IBIS World Industry Reports
	Competitive Benchmarking	Local and national competitors
	Financial Statement Analysis	FCAB Budgets and Events Calendar
		FCAB Customer Lists
Previous Consulting Work	AIM Consulting Documents	

Additional research will need to be conducted over the next 2 months, identification of local and national competitors, more customer interviews, and an in-depth survey to better understand customer desires will need to be performed





Customer



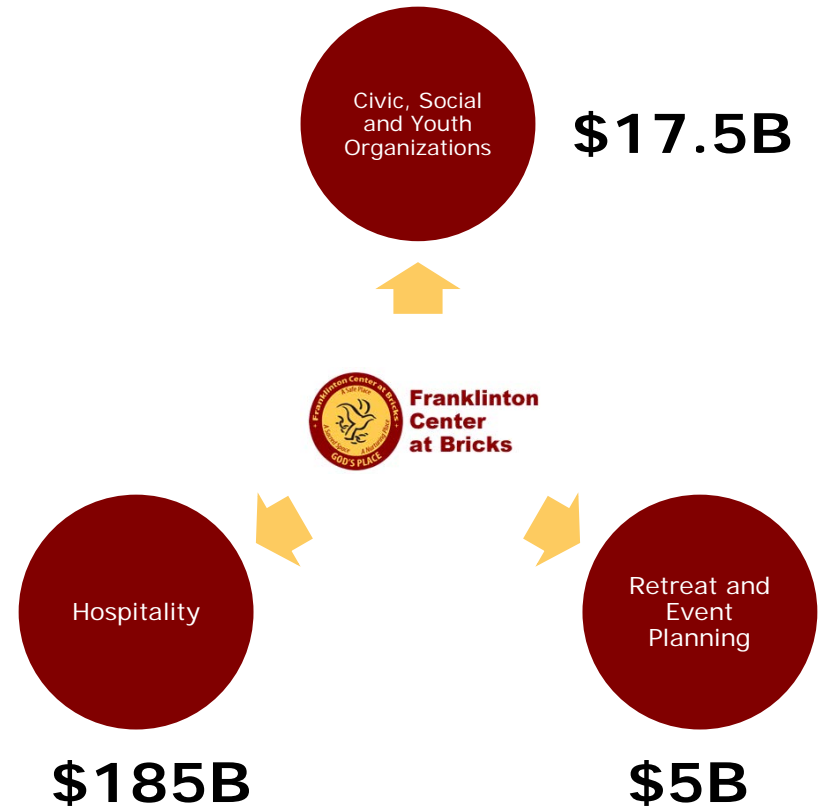
FCAB has the potential to offer more than just its core business of retreats and conferences

FCAB Core Competencies



Source: Customer Surveys & Employee Interviews

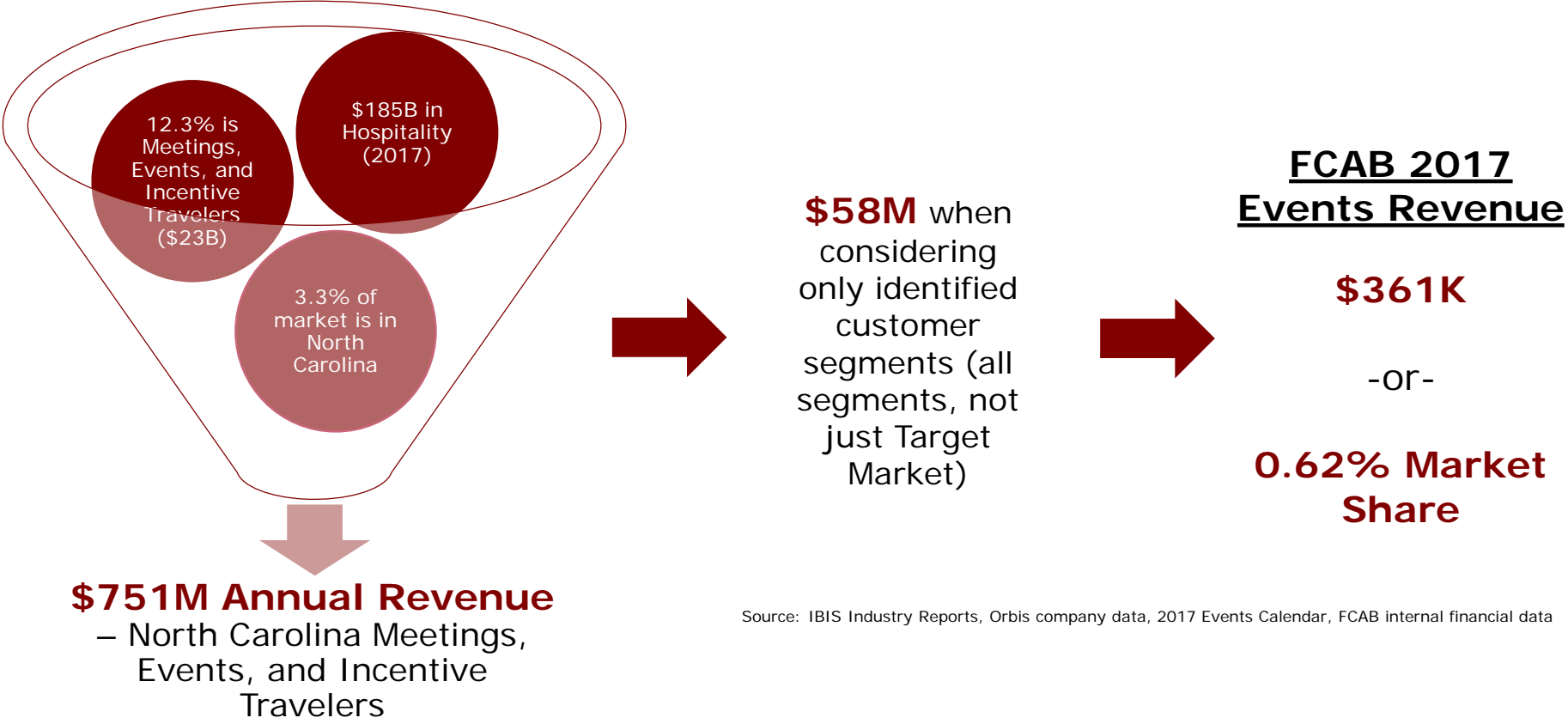
FCAB National Market



Source: IBIS Industry Reports - US Annual Revenue



Meetings, events, and incentive travel also represents strong market potential



Source: IBIS Industry Reports, Orbis company data, 2017 Events Calendar, FCAB internal financial data

Capacity constraints and profitability represent obstacles in going after this entire potential market



Customer segments can be broken down into four categories to identify revenue opportunities

Mission-Aligned

Aligned with mission and inspired by story

- Social Justice Mission
- POC-Led
- Grassroots Organizations



Organizationally-Aligned

Partnered with UCC and FCAB

- United Church of Christ
- Southern Conference
- Affiliated Ministries



- Businesses >20 Employees
- Trainings & Events
- Family Reunions & Weddings
- Located in Tri-County Area or Wake County



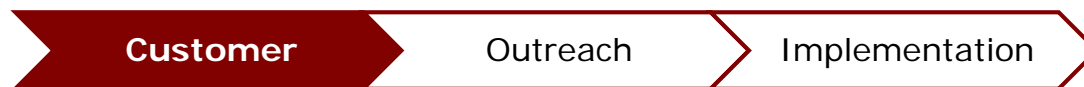
- Historic Ties to FCAB
- Board Members
- Friends/Family



Local Businesses & Families

Nearby and in need of affordable space

Alumni & Brickites
Part of the FCAB "family"



A survey is necessary to further understand customer priorities and opportunities



Demographics

- Customer organization size
- Organization mission
- Location of organizations
- Annual income of organization



Pricing

- Customer willingness to pay
- Space and event pricing
- Overnight room rates
- New opportunity pricing



Customer Survey



Customer Preferences

- Desired use of facilities
- Amenities necessary
- Services provided
- Communication preferences
- Marketing material



Customer Feedback

- Source of referral to FCAB
- Quality of service
- Areas for improvement
- Reason for choosing FCAB for services



Customer

Outreach

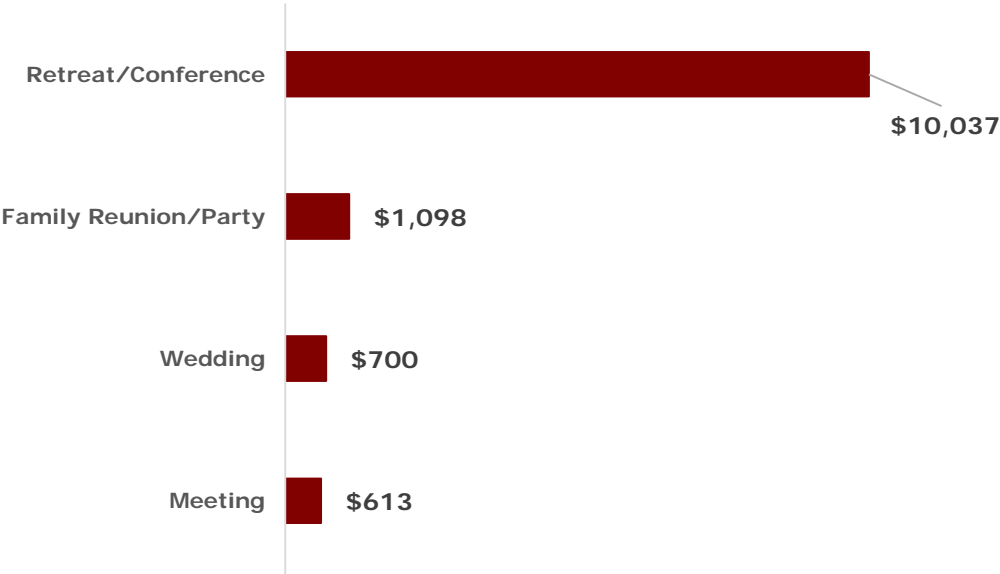
Implementation



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BUSINESS SCHOOL

Retreats and conferences are the largest driver of revenue with Mission-Aligned customers as the major source of that revenue

Average Revenue by Event Type - 2017



Source: 2017 FCAB Events Calendar

89%

Of retreats and conferences are held by Mission-Aligned customers

10x

Retreats/Conferences contribute this amount great income than any other event type



Surveys and external analysis confirm that Mission-Aligned customers are the most reachable and obtainable

Segment	Segment Evaluation					
	Distinct	Stable	Identifiable	Large	Accessible	Average
	<i>Easily distinguished from other segments; focused and unique segment</i>	<i>Value proposition is not easily changed or altered over time</i>	<i>Size and purchasing power can be easily measured</i>	<i>Profitable enough to serve; long term sustainability</i>	<i>Effectively reached with messaging, once identified</i>	
Mission-Aligned	3	4	2	4	2	↑ 3.0
Organizationally-Aligned	2	2	4	1	4	→ 2.6
Local Businesses & Families	1	1	3	3	1	↓ 1.8
Alumni & Brickites	4	3	1	2	3	→ 2.6

Source: Employee & Customer Interviews; Demographics, Market/Financial Reports
 4 = Best, 1 = Worst; All scores are relative to other segments





Outreach



Outreach beyond tri-county area is required for significant market penetration within NC

Potential Market Size for Mission-Aligned Customer Segment

	Number of Mission-Aligned Companies	Potential Revenue
<i>Nationally</i>	112,700	\$1B
<i>North Carolina</i>	2,778	\$25M
<i>Tri-County (Nash, Halifax, Edgecombe)</i>	28	\$667K

The state of NC has significant market potential for Mission-Aligned customers and must be engaged through partnerships and retention of key customers to increase sustainable revenue



The target market of Mission-Aligned organizations can be regional, state-wide, or national due to FCAB's unique positioning

To position FCAB for **regional, state-wide, and national outreach**, FCAB must be doing the following:



Share its history and story with sister organizations



Highlight its competitive meeting facilities, catering, and overnight accommodations



Provide value-added services that a conventional meeting/event space cannot

To customers who are focused on racial equity, grassroots leadership development, and community organizing, FCAB offers affordable and welcoming accommodations, with inspiring heritage, relative to conventional meeting & events space.



Examples of potential national customers

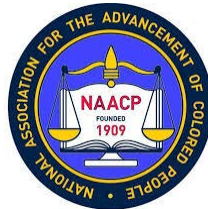


National Urban League

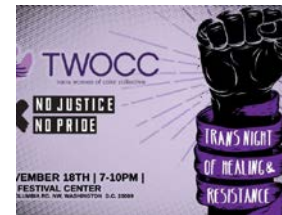


BLACK WOMEN'S BLUEPRINT

BLACK LIVES MATTER



black youth project



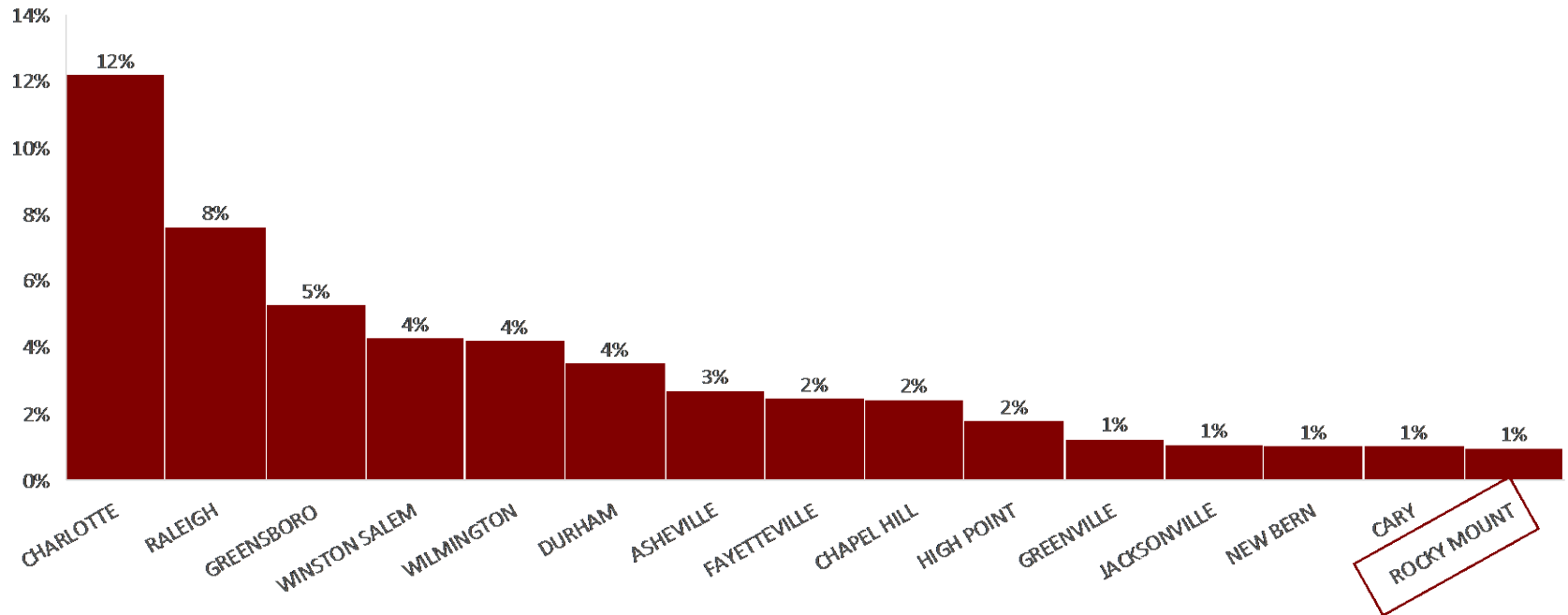
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Outreach to metropolitan areas is necessary for sustainable increase of revenue

Percentage of Targets within each North Carolina City



- Majority of target market companies are in large, metropolitan areas of North Carolina – **this trend persists across USA**
- FCAB already has strong word-of-mouth marketing in specific circles of target market
- Opportunity exists to formalize regional/national marketing plan & leverage Board/employee network to drive higher-income events

Data is from 2015 Orbis report
Active firms only, NAICS = 8134 (Civic, Social, Youth Organizations)



Identification of potential partnership candidates will require more research

Survey

- Survey will allow for identification of key customer preferences and feedback for direct implementation to the FCAB

Competitive Benchmarking

- Analysis of peer institutions and organizations is necessary in order to identify best practices and other opportunities for FCAB

Research

- Alignment of existing target market and organizations which represent good fits for business must be considered

The UNC STAR Team will be focused on identifying key partnerships that offer attractive business opportunities upon completion of the survey and individual research. Potential peer sets to be considered would be valuable.



Customer

Outreach

Implementation





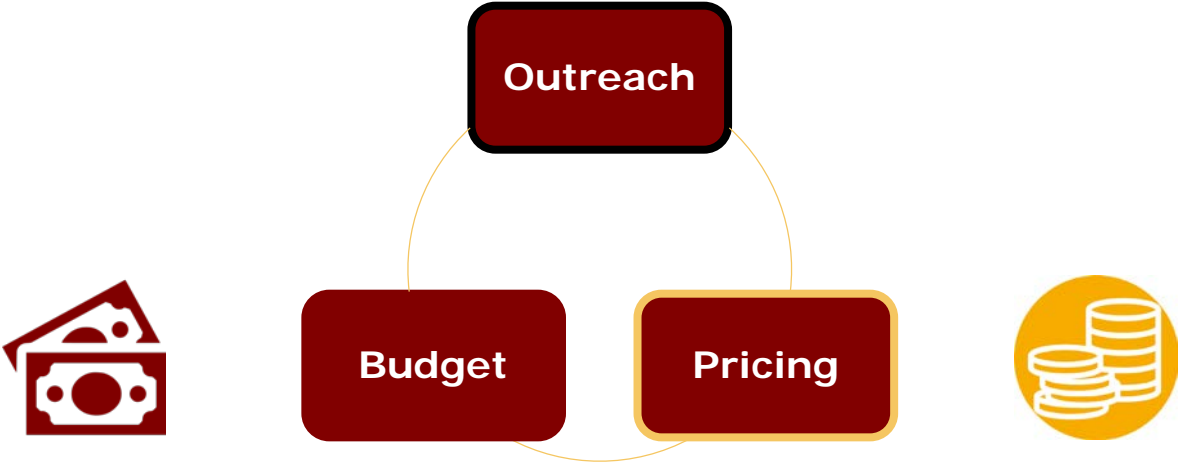
Implementation



Three separate areas must be considered in the future implementation plans



Marketing plans and promotions to boost presence and awareness of FCAB must be resolved



Changes in accounting methodology and automation to make more accurate budgets and track financial performance must be completed

Pricing to reflect changes in seasonality, product bundle demand, and sliding-scale pricing must be considered



FCAB should turn to free promotion solutions to boost online presence, extend reach to Target Market, and tell its story

Google for Nonprofits

- Google Ad Grants offers a promotions budget of \$10,000 in-kind, per month for nonprofits

Website SEO and Marketing Intern

- STAR team will research best practices to build FCAB's web presence and discoverability through the website

Social Media

- STAR team is determining best channels and use of social media promotions budget to reach new and repeat customers

Partner Promotions

- STAR team is building on customer research to develop strategies for FCAB to partner with Mission-Aligned organizations to reach new customers



Operational and administrative inefficiencies need to be addressed to ensure higher customer retention and better reservation processes

39.8%

Of staff time is spent on Finances, Accounting, Office Management and Logistics



Automation for booking systems represents a major opportunity to allow staff to spend more time on revenue-generating activities

Potential Capacity Improvements



Reservation System

Streamline current reservation system which is highly manual and uses a large portion of staff capacity



Credit Card Capability

Offer the ability for customers to pay with credit card to reflect changing standards



Ordering Purchases

Optimize buying patterns of food and laundry to more efficiently use capital



Customer

Outreach

Implementation



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Changing financial practices is the foundation for future business success

Short-term

Medium-term



Budget breakdown per month

Forecast x realized (Path correction)

Real-time financial impact decisions

Profitability of present contracts

Seasonality Analysis

Comparison and Benchmark

A new budget model and accounting system will enable identification of current and future revenue opportunities based upon understanding previous sources of revenue



Evaluation of pricing methodology must be considered in alignment with customer willingness to pay

	<u>Description</u>	<u>Methodology</u>
Product Bundles	<i>Creation of product packages which tie common features together with unique FCAB offerings to optimize customer value</i>	<p>Common features would include hotel, catering and event space</p> <p>Differentiated features would include multiple group capacity, access to mission-focused speakers and prominent Brickites and historical tours, among others</p>
Room and Space Pricing	<i>FCAB could potentially raise rates in both hotel and event space opportunities in order to be more competitive within the marketplace and capture more revenue</i>	<p>Based on competitive benchmarking and customer feedback, opportunities to raise rates for certain platforms will be considered</p>
Seasonal Adjustments	<i>Occupancy rates fluctuate throughout the year, opportunity exists to better align pricing with seasonal demand</i>	<p>Seasonal demand can be looked at based on prior booking histories and customer feedback</p>



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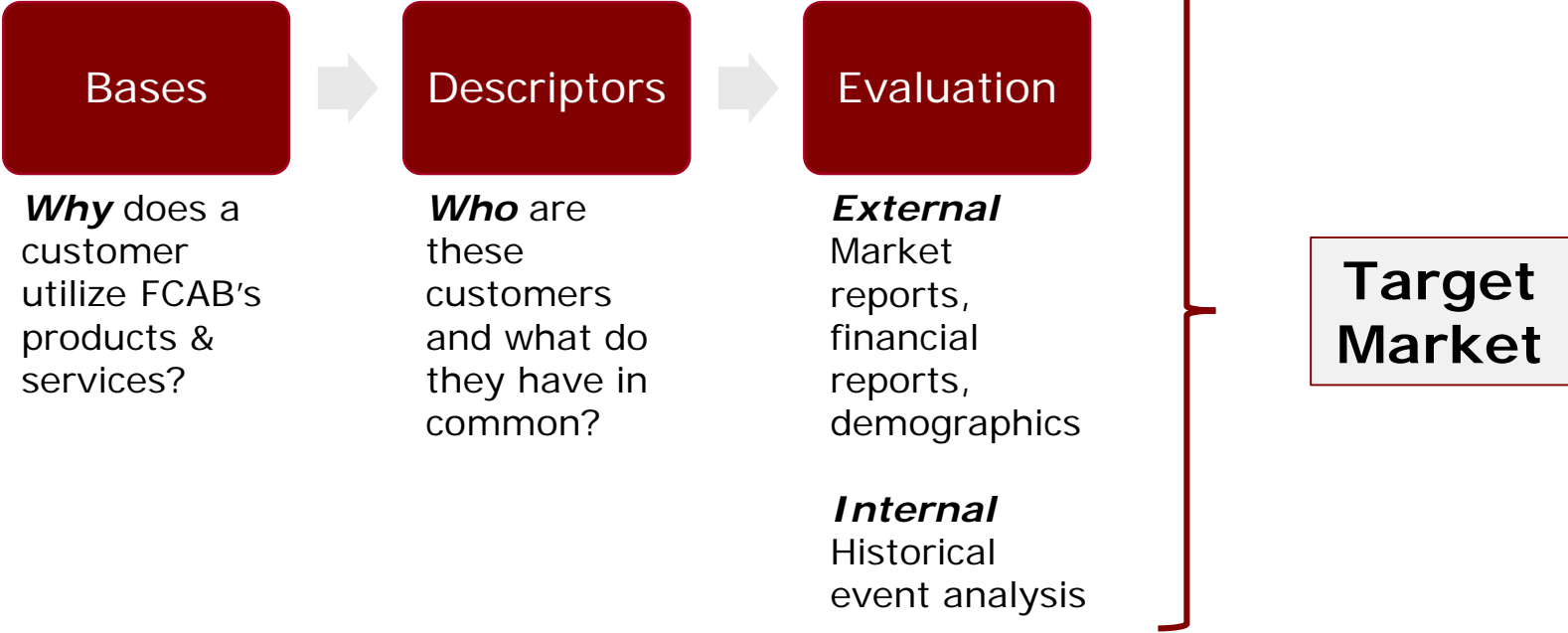
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Appendix



Our team has identified and evaluated customer segments in order to recommend the most profitable market to target in the short term



FCAB has four potential customer segments that would utilize its resources and services for differing reasons (Why)

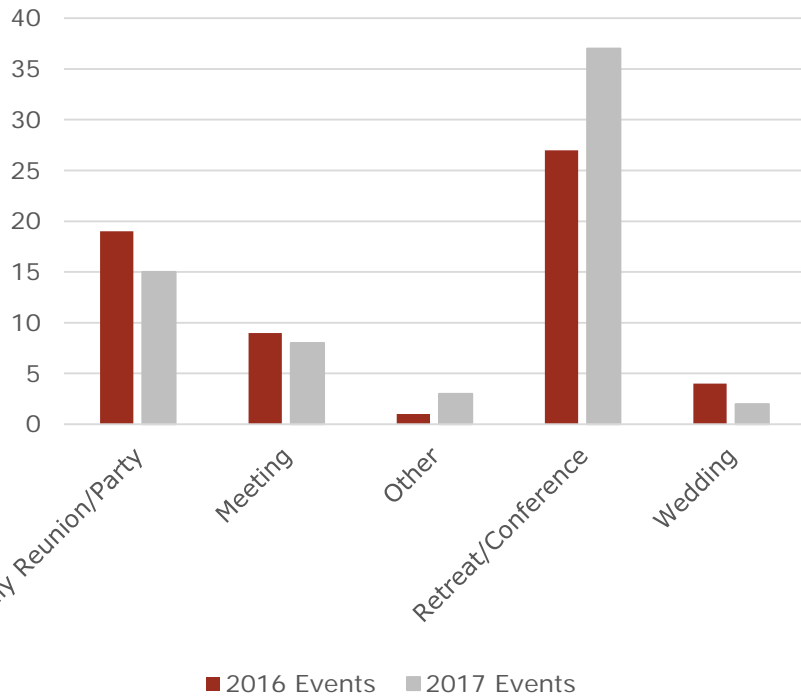
Customer Segment	Customer Bases (why-choose-FCAB?)
Mission-Aligned (Civic, Social & Youth Organizations per NAICS)	We need a place to organize for POC rights with a heritage that is aligned with our mission and inspires our followers. We choose FCAB because of its story, first and foremost, and secondly because of its facility attributes
Organizationally-Aligned	We need a place to gather that respects our beliefs and can host and take care of our people. We choose FCAB because its aligned with UCC and because we know their people. We need their facilities to execute our events and FCAB always exceeds our expectations
Local Businesses & Families	We need a place to host large events and likely will not be staying overnight. Our draw to FCAB is more about utility than mission, though we appreciate a safe space. We value the fact that it's close by and that it has conference space large enough to hold our events
Alumni & Brickites	We are the Brickites. We are the UCC members who have watched as FCAB has been developed and re-developed. We are family with the organization and love to come back and stay

Source: Employee & Customer Interviews; Site Visits

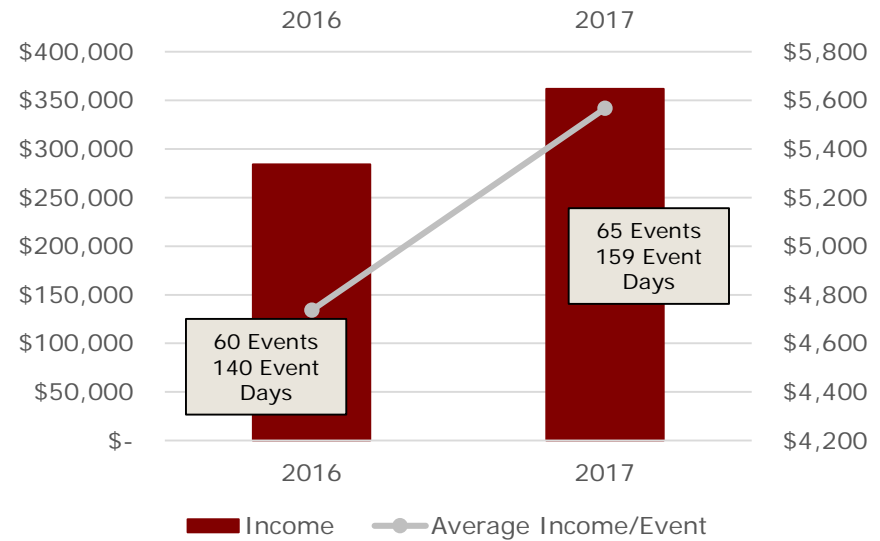


FCAB should continue to grow Retreat/Conference sales

Number of Events by Type



Catering & Facility Income



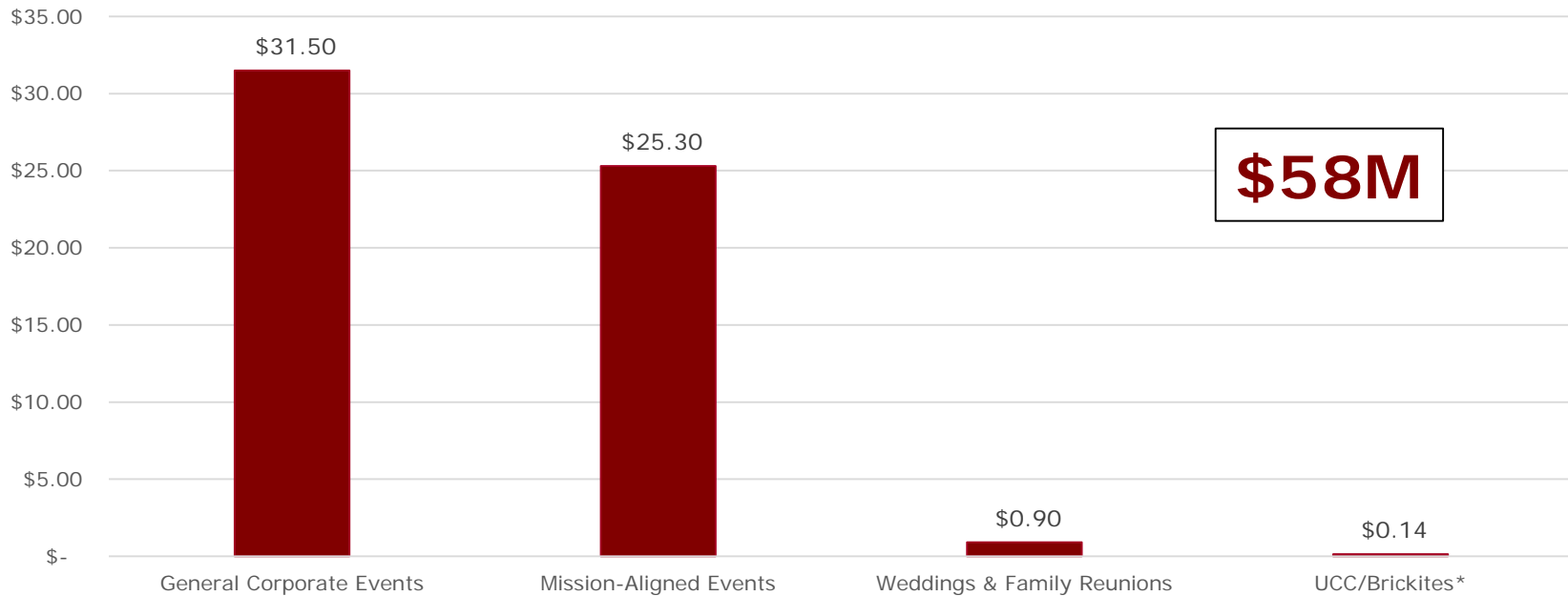
Source: 2016 AIM Consulting Report & 2017 FCAB Events Calendar



Target market is large enough to be sole focus of FCAB's marketing efforts for 2018 and beyond

Assumption: weddings and reunions only come from tri-county area

North Carolina Market Size (\$M)



*Assumption – # of viable targets in North Carolina

% holding events from secondary research; events/year from customer interviews; current market share from 2017 Events Data

Source: Orbis company data; secondary internet research; primary customer interviews; 2017 Event Data



There are major players in social justice and community organizing to target nationally and regionally

- Organizations to target should:
 - Be large enough to optimize FCAB capacity over a given period of time (day, weekend, week)
 - Have solid grant backing or events budgets
 - Find value in FCAB's specific heritage and history
 - Have strong promotional capabilities to help grow FCAB's brand
 - Be aligned with FCAB's vision, mission, and values



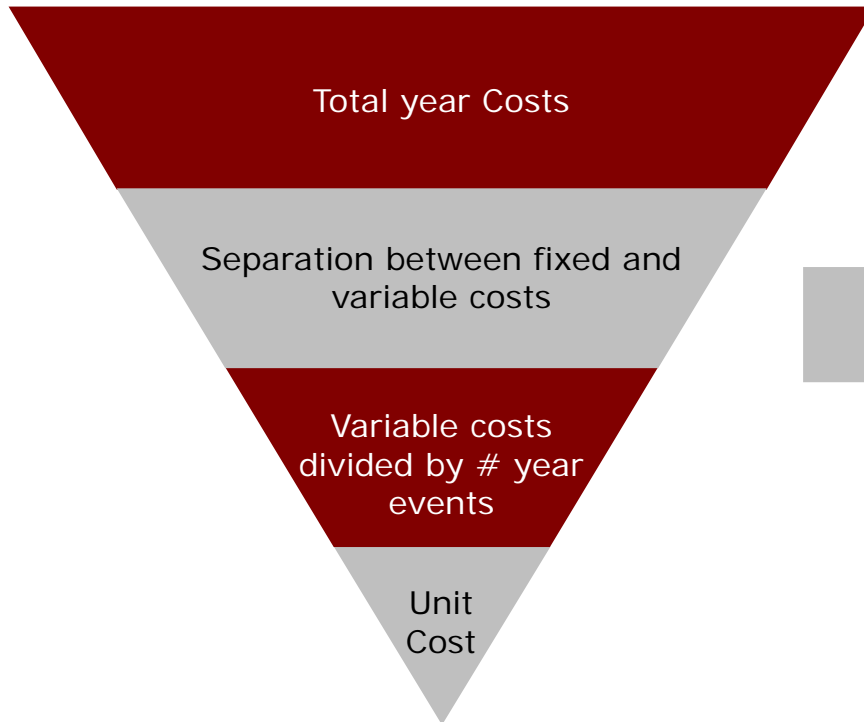
Next Steps – Marketing Team

Hypothesis	Current Stage	Next Steps
Product packages with sliding pricing models	Confirmation of strategy and initial ideation	<ol style="list-style-type: none">1. Agreement that advertised product packages are a good marketing tactic for FCAB2. Finalize market value for common & differentiated product/services (see pricing)3. Partner with Ellie & Wayne to name, define, price, and promote new product packages
Digital promotions	Ideation, current state analysis, and benchmarking	<ol style="list-style-type: none">1. Agreement to continue to investigate the best free promotional options for FCAB2. Define and document promotional plan for 2018 and 2019 (expansion/targeting of AIM marketing plan)

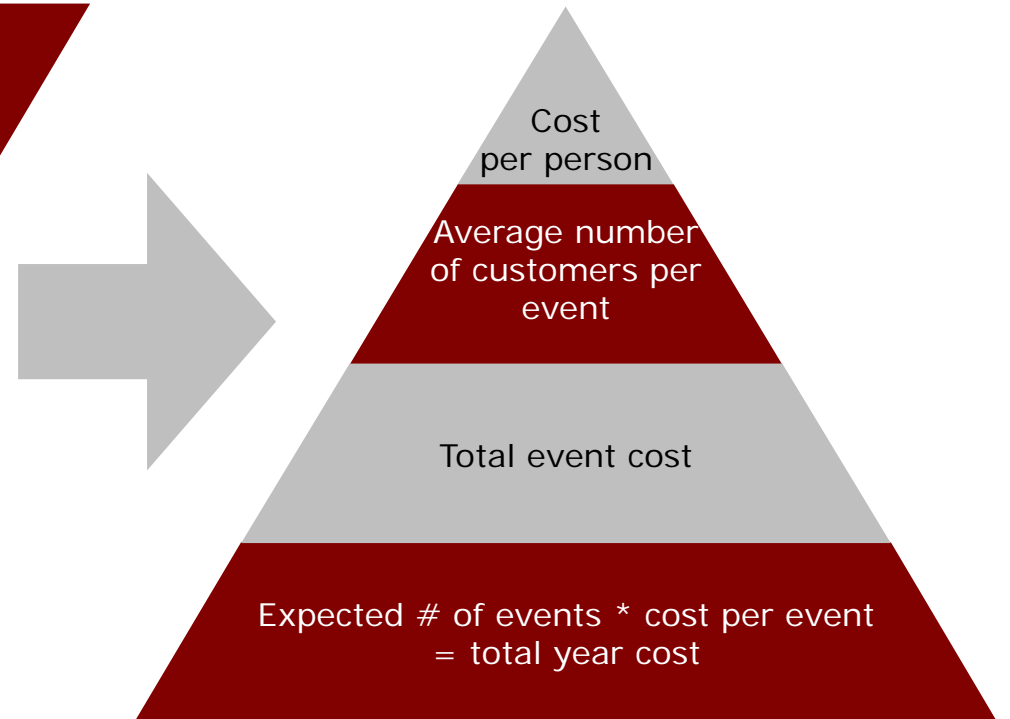


The new budget concept is bottom up not top down

Former unitary cost analysis



How to prepare FCAB to the Future



The Accrual Method is best for FCAB

Illustration

An owner pays \$1000 in March for product that's sold/invoiced at the end of March for \$1600, but paid by the customer when received, in the beginning of April.

	Cash Method:		Accrual Method:	
Profit/Loss	March	April	March	April
Income	\$0	\$1,600	\$1,600	\$0
Expenses	\$1,000	\$0	\$1,000	\$0
Net Profit	-\$1,000	\$1,600	\$600	\$0

FCAB financial statements

- Cannot infer seasonality and revenue trends
- Events calendar does not match the financial statements
- For example: September 2017 has 5 events (all Family Reunions) and low costs, but profits are negative (-\$19,658.47)
- Only income statements can give fair idea of profitability per month



Two methods for tracking finances

Cash Flow Method

Pros

- Easy to track
- No need to track Accounts Payable or Receivable

Cons

- No accurate picture of profits or timing

Accrual Method

Pros

- Gives an accurate picture of profit timing
- Essential to analyze seasonality and long-term trends
- Implements the GAAP guidelines' matching principal

Cons

- Must carefully track cash flows
- Profit & loss statement will show high revenues while cash is low



A more accurate budget informs decisions about timing and pricing



Provides a basis for pricing decisions and revenue optimization:

- Sliding scale pricing for corporate and nonprofit clients;
- Changes to room prices based on date or event

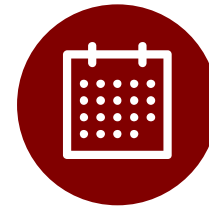


- Is seasonality being considered in pricing and in the Cash-Flow?
- Do we lose clients because of timing conflicts?
- Are there any specific events for which we could charge different prices?



Is the catering service breaking-even?

- Do we have different prices for different events or only one buffet option?
- Do we need to limit buffet options?



- Real time decision making and marketing strategies
- Adjustments to grants calendar based on event revenues

Advantages of the new accounting system



YoY Comparison

- More accurate budget vs actual comparison
- Data generated now informs decisions in the future



Seasonality

- Pricing review
- Procurement strategies
- Marketing strategies (client activation in low-income months)



Trends /
Recommendations

- Comparison to competitors and benchmarking
- Real time decision making and redirecting
- Focus on high-margin customers



Next Steps – Financial Team

Hypothesis	Current Stage	Next Steps
New budget model	First prototype finished	<ol style="list-style-type: none"> 1. Calibrate the budget's assumptions with FCAB 2. Make it more user-friendly 3. Decide if the budget will be used as a tool for generating operations information and report 4. Present the first version to FCAB
New accounting system	Understanding FCAB's current workflow (ex: internet limitation)	<ol style="list-style-type: none"> 1. Understand costs associated with new system change (time, training, software, intranet) 2. Interview Vivian Wang and Diana to understand their needs to make a smooth change 3. Research best solutions in the market with internet limited access 4. Check if there are zero cost possible changes, just like the budget



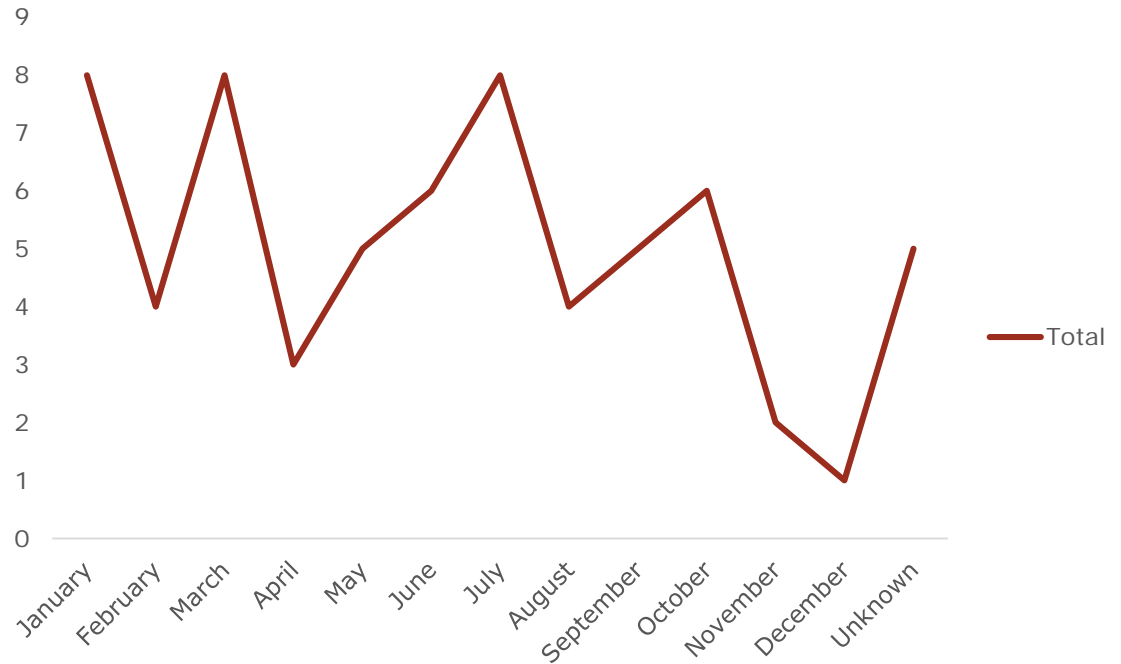
Distribute time evenly throughout the year where it's most needed

More events in certain months

But time allocation stays same

Distribute time allocations according to demand

2017 Events by Month



Operational Hypothesis

Further research into operations will show other identifiable opportunities to save on the bottom line and increase hosting capacity

- ⑩ Washing Machine vs. Outsourcing
- ⑩ Customized booking systems
- ⑩ Use of technology in facility management



Capacity constraints will be the biggest challenge to overcome

INTERNAL RISKS

Increased number of events will increase planning time

Staff burnout from overtime

Confusion about purpose of growing revenue

Mitigation

- Restructure internal operations
- Standardization will decrease planning time
- Shift current employee utilization to accommodate efficient operational practices

EXTERNAL RISKS

Increased promotion will not yield desired results

Demand will decrease with price increase

Clients may feel FCAB is straying from Mission-Aligned practices

Client resources may be limited: technology, capabilities, time

Mitigation

- Promotion spending tied to revenue generated
- Sliding pricing
- Clearly communicate to clients the increase is to cover total costs
- Follow up with the client will be to the extent which the client desires

