Anchin Alert

March 18, 2020

Seeing your Emerging Brand through Uncertainty

At times like this, where the only thing certain today is more uncertainty tomorrow, your business must brace itself for the worst. Even as many of our clients and friends in the CPG industry are telling us they are having their best week, month or quarter ever, they must consider that this short-term burst will slow and possibly completely pause before growth starts again.

The Founders and C-level executives of our emerging brand clients are some of the hardest working, most passionate and dedicated people we know. They take nothing for granted and understand that achieving their brand's vision takes a village.

The best employees, brokers, distributors, third-party logistics companies, co-packers, ingredient suppliers, social media, website developers and major retail partners make up a large part, but not all, of their formula needed for success.

In order to put it all together, having the right funding partners is paramount. Securing capital and, where appropriate, debt financing from stakeholders that understand your business and goals, and who realize there will be pitfalls along the way, will help all of the other members of the team to do their best work. For those fortunate to have credit lines in place, consider if drawing on them would be prudent to ensure their availability.

By the time we are returning to normal, the brands in position to thrive post-crisis will be those who took stock of their balance sheets today, those who maintained open dialogue with their stakeholders, vendors and employees, and those who took every effort to minimize disruption.

So what should you do next?

Review your cash flow model for the rest of 2020. Wherever you had a new significant customer or product launch expected, push it back if that launch is now unclear. If supply is scarce, plan to prioritize your most profitable items and customers. Wherever you had a significant new capital infusion projected, delay it if no longer realistic. Wherever you had significant working capital borrowings expected against growing A/R and Inventory, scale it back assuming your A/R will be lower. Where your workforce or key vendors may be less productive due to disruption, factor in some downside expense. Also, be wary of over-producing to meet the short-term spikes in demand to avoid potentially significant inventory write-offs in the long-term. Let your outside accounting firm review this model for accuracy and conservatism.

Once you have updated your cash needs, it is time for communication with your investors. You need to know now if they will support a short-term need caused by this virus disruption. Now is the time to strategize alternatives. This also may be an opportunity to capitalize on higher than normal demand to expand your online revenues or even gain distribution without expensive associated trade spend.

Do not wait until you are about to “run out of money”. Do not think you will just cut headcount and expenses to see your way through this. When revenues are delayed, when supply chain is uncertain, you need to know as soon as possible what resources you and your leadership team can count on so that you are ready to rise once this abnormal uncertainty returns to normal business uncertainty.

We are here for you during this challenging time. To discuss plans and specifics, contact your Anchin Relationship Partner or a member of the consumer products practice at 212.840.3456 or info@anchin.com.

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