

MT2.4_8 Mini Case Study: Financial Sustainability Voyages - Analyze and Advise!

This activity puts your newly acquired financial analysis skills to the test. Explore five concise case studies showcasing diverse ventures, and apply your knowledge to dissect their financial health and offer strategic advice.

Instructions:

1. Divide into groups or work individually.
2. For each case study, analyze the provided financial information and relevant details using the "Charting the Course" points from the previous slide. Consider:
 - Financial statements (income, balance sheet, cash flow) if provided.
 - Profitability and efficiency metrics (revenue streams, expense categories, profit margins).
 - Financial ratios (debt-to-equity, liquidity, ROI).
 - Cash flow management insights.
 - Potential risks and vulnerabilities.
3. Based on your analysis, discuss and formulate actionable recommendations for each venture to improve its financial sustainability. Focus on:
 - Optimizing profitability and efficiency.
 - Managing cash flow effectively.
 - Mitigating financial risks.
 - Exploring potential growth opportunities.
4. Be prepared to share your analysis and recommendations with the larger group for a lively discussion and exchange of ideas.

Case Studies:

1. Green Gourmet:

- Financial Statements: (Assume provided or estimated) Revenue steadily increasing, high cost of goods sold (organic ingredients), operating expenses under control, net income low.
- Profitability and Efficiency: Revenue streams from a la carte orders and catering, analyze menu pricing and portion sizes to improve margins, explore cost-effective ingredient sourcing.

Attachment to MT2.4.8
Task 2.2



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- **Financial Ratios:** (Assume debt-to-equity low, liquidity ratio moderate) Calculate gross and net profit margins, identify high-margin menu items for promotion, monitor inventory levels to avoid spoilage.
- **Cash Flow Management:** Track incoming payments and outgoing expenses daily, forecast cash flow based on reservation trends and seasonal fluctuations, consider flexible payment options for catering.
- **Scenario Planning:** Analyze potential impact of rising food costs or competitor discounts, develop contingency plans like adjusting menu prices or offering special promotions.

Analysis: Green Gourmet is experiencing initial growth but needs to prioritize cost management and improve profitability. Optimizing menu pricing, sourcing, and inventory control can unlock significant potential.

2. Tech Talent:

- **Financial Statements:** High revenue growth from freelancer fees, high debt used for platform development, negative cash flow in early stages.
- **Profitability and Efficiency:** Revenue streams from subscription fees and freelancer commissions, analyze operating expenses (marketing, platform maintenance) for cost reduction.
- **Financial Ratios:** (Assume high debt-to-equity, liquidity ratio tight) Calculate return on investment for expansion efforts, explore alternative funding options like venture capital to reduce debt burden.
- **Cash Flow Management:** Implement strict payment terms for freelancers, actively pursue long-term client contracts for predictable revenue streams, prioritize cash-generating features on the platform.
- **Scenario Planning:** Analyze risks of economic slowdown impacting freelancer hiring, consider offering additional services or expanding into new niche markets.

Analysis: Tech Talent needs to balance rapid growth with financial stability. Managing debt, diversifying revenue streams, and optimizing cash flow are crucial for future success.

3. Local Love:

- **Financial Statements:** Revenue from vendor stall fees and customer purchases, facing a drop in customer traffic and declining sales compared to the new supermarket.

- Profitability and Efficiency: Revenue streams from stall fees and sales by individual vendors, analyze vendor mix and product diversity to attract customers, consider offering delivery services.
- Financial Ratios: (Assume moderate debt-to-equity, liquidity ratio declining) Calculate vendor profit margins, identify high-demand products and promote them collaboratively.
- Cash Flow Management: Implement flexible stall fees or revenue-sharing models for vendors, encourage pre-orders and online payments to improve cash flow predictability.

- Scenario Planning: Analyze reasons for customer shift to the supermarket (price, convenience, product variety), develop strategies to differentiate the market experience (community events, local produce focus).

Analysis: Local Love needs to adapt to competition and leverage its unique strengths. Offering diverse local products, building community engagement, and exploring online/delivery options can revitalize the market.

4. Creative Crafters:

- Financial Statements: Revenue mainly from online sales, significant seasonal fluctuations in income, limited marketing budget.
- Profitability and Efficiency: Revenue streams from jewelry sales, analyze production costs and pricing strategies to ensure healthy margins.
- Financial Ratios: (Assume low debt-to-equity, liquidity ratio moderate) Calculate product-level profitability, identify best-selling designs for targeted marketing campaigns.
- Cash Flow Management: Develop cash flow projections based on seasonal trends, consider pre-order options for high-demand products, explore partnerships with complementary businesses for cross-promotion.
- Scenario Planning: Analyze potential impact of new online craft platforms or economic downturns, develop diversified marketing strategies (social media, influencer partnerships) and consider offering product bundles or personalized customization options.

Analysis: Creative Crafters needs to manage seasonal fluctuations and optimize marketing reach. Building a strong online presence, leveraging data-driven insights, and offering unique value propositions can drive consistent growth.

5. Eco-Travel Adventures:

- Financial Statements: Revenue from tour packages, rising operational costs (fuel, permits), exploring diversification options.
- Profitability and Efficiency: Revenue streams from package bookings and optional activities, analyze tour costs and profitability per destination, consider offering budget-friendly options.
- Financial Ratios: (Assume moderate debt-to-equity, liquidity ratio tight) Calculate return on investment for new tour development, prioritize high-margin destinations or activities.
- Cash Flow Management: Implement flexible booking policies with partial deposits to manage cash flow fluctuations, offer pre-trip discounts for early bookings.
- Scenario Planning: Analyze risks of political instability or environmental changes impacting travel, develop partnerships with local communities for alternative

Analysis: Eco-Travel Adventures needs to be prepared for disruptions and diversify its offerings. Partnering with local communities can open up new revenue streams, build resilience, and contribute to responsible tourism practices.