

peko

Business Plan

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Executive Summary

Peko is building Canada's #1 grocery marketplace that delivers “peculiar” or surplus groceries at up to 40% off retail prices. We sell a 12-15lb mystery box of “peculiar” produce and pantry items that were rejected due to cosmetic and other non-quality affecting characteristics. We are targeting the \$49.5 billion yearly problem of Canada’s wasted food to help stakeholders along the supply chain reduce their shrinkage and the 4 million Canadian consumers who are impacted by food insecurity. Our best customers tend to be females aged 35-45 who live with a partner or their family, and our main channels are via creating educational, and fun communities both online and offline. Our direct competitors are located in the U.S., and we are the first mover in Canada to combat food waste via our produce rescue and online distribution channels (e-commerce). Each box costs \$32.99 (with a further discount for weekly/bi-weekly subscribers) and our gross margin hovers around 10-20%, trending higher with the introduction of our Peculiar Pantry items. Our management team has 5+ combined years of previous experience in grocery delivery, scaling CPG brands, and e-commerce platforms.

Value Proposition

Peko is on a mission to fight food waste and promote access to affordable, healthy food. Food waste has never been a production problem but rather a distribution problem. Since May 31st, 2021, Peko has completed deliveries every Sunday, selling over 12,000 boxes (~\$300,000 in gross sales) , rescuing over 200,000lbs of produce, and saving our customers over \$600,000+ on their grocery bills.

Product

Peko sells a 12-15lb mystery box of “peculiar” produce, ie. fruits and vegetables that were rejected at the farm and distribution level. We work upstream and do not work with grocery stores. We also rescue imperfect pantry items, such as mislabeled, oldbranded, or close to expiration products (6 mo). Our full offering can be found at pekoproduce.com.

Market Size & Customers

In Canada, rejected produce alone is estimated to be responsible for 6.1% (\$3.1 billion) of the \$49.5 billion of wasted food each year, while food insecurity affects more than 4 million Canadians, representing close to 13% of households. Peko benefits all of our stakeholders - we are able to let farmers recognize otherwise lost revenue, and people can now afford healthy, accessible produce for extremely low prices. Peko enables consumers to access this otherwise wasted food. Our SOM is currently the Metropolitan Vancouver Area, specifically millennials who are deal-inclined and primarily purchase groceries online, a market around \$58.8m. Within the last year, demand for online grocery delivery has grown 41%, and continues to grow exponentially.

Our target customer is lower & middle class millennials who are community-driven and conscious about their health as well as impact on the environment. They often love cooking, and aspire to do as much good as they can within their means. While we’ve seen customers from all walks of life, our most loyal customers tend to be

female in the age range of 35-45 who live with a partner or their family. Half of our customer base are repeat customers given their constant need for produce, and after experimenting with “imperfect” and surplus produce, many customers are sticky due to the “feel-good” aspect of buying from Peko as well as the cost benefit for their families.

Marketing

Our value proposition is save up to 40% while saving food. Our approach is community-driven, educational, and fun. These are our approach to grow & nurture our customer base:

- **Social Content (50%):** We create fun and educational content on social media (Instagram, Facebook, Twitter and TikTok) as well as our own blog. Some of our content includes storage tips, recipes, and other food waste hacks. Occasionally, we run social media ads to reach a wider audience - though our budget is quite limited, with an LTC to CAC around 25:1. Fun fact: the % of traffic brought into our online store via social media is the highest among all competitors!
- **Partnerships (15%):** We partner with local CPG brands to run giveaways and sell their “peculiar” or surplus stocks. We also link up with non-profits such as Food Stash or Vancouver Community Fridges to subsidize/donate to their operations amplify our corporate social responsibility - this contributed to our biggest sales week ever & [a viral TikTok!](#)
- **Community (15%):** We started out posting about Peko on key Facebook groups (e.g. Zero Waste Vancouver) and went viral a few times. Now, we have our own Facebook group, where our own community acts as a knowledge & engagement hub. Fun fact - referrals drive ~15% of our sales!
- **Out-of-home (10%):** We’ve distributed flyers at key neighborhoods and high-traffic areas to build density. We’ve also hosted virtual & physical cooking classes, boothed at conferences/events such as Planted Expo and more!
- **B2B (5%):** We partner with organizations to move bulk sales, such as affordable school lunch programs, corporate gifting or corporate employee perks. Customers include UBC and RBC Sun Run (both 5-figure contracts), BCIT, and Lululemon.
- **Public Relations:** We’ve been from being featured on national radio stations, TV & press, such as CBC, DailyHive, The Morning Show, Yahoo, The Vancouver Sun & more. Everything except one feature was free too!

Competition

Peko’s direct competitors are all in the United States - Misfits Market and Imperfect Foods started ~3 and 6 years ago, and are now worth \$2.0B and \$700M respectively (and have now MERGED!)

- SEE: [Misfits Market Series C - \\$225M at 2.0B post](#) (Founded in 2018)
- SEE: [Imperfect Foods Series D - \\$95M at \\$700M post](#) (Founded in 2015)
- SEE: [Online Grocer Misfits Market Announces Plans To Acquire Competitor Imperfect Foods](#)



Peko is the first and only provider of “imperfect” produce with consistent variety and quality in Western Canada. Traditional grocery stores have very specific specifications that result in many products being rejected, and their floor space is better reserved for higher-ticket items. Consumer awareness of food waste has also only become more well-known in the last few years, meaning only younger companies have started tackling this problem. Other local companies stock 3-4 SKUs of imperfect produce at most, and have inherently different business models and pain points that they’re solving (local, organic, specialty stores). On a different note, nonprofits like Second Harvest have similar access to this supply, but are not accessible to the general public.

	Imperfect & Surplus Products	DTC Home Delivery	Affordable	Quality Controlled Supply Chain	Community & Mission Driven	Services In Canada	Online Marketplace
★ Peko Produce	Green	Green	Green	Green	Green	Green	Green
Specialty Stores	Red	Red	Yellow	Green	Red	Green	Red
Grocery Stores	Red	Green	Red	Green	Red	Green	Green
SPUD	Yellow	Green	Red	Green	Yellow	Green	Green
Instacart	Red	Green	Red	Yellow	Red	Green	Green
Too Good To Go	Yellow	Red	Green	Red	Green	Green	Green
Flash Food	Yellow	Red	Green	Red	Green	Green	Green
Farmer's Markets	Red	Red	Yellow	Green	Green	Green	Red
Misfits Market & Imperfect Foods	Green	Green	Green	Green	Green	Red	Green

Business Model

Peko Produce customers can purchase individual boxes, or opt into a weekly/bi-weekly delivery subscription. A Peko Produce box retails for \$32.99 CAD, including delivery, as our mission is to promote accessible, affordable food for all. This price is discounted by 10% in our subscription boxes at \$29.69, where we’ve seen an 80% lifetime retention in our subscribers.

Since our inception in the summer of 2021, we’ve reached more than \$300,000 in sales, growing around ~5-10% week over week while our costs have remained stable as a margin of each product. By the end of 2022, we project to serve around ~400 boxes weekly. This translates to \$12,000 in weekly revenue.

Our cost of produce goes down with scale, but it remains relatively stable with a few hundred boxes. Around 35% of the each box goes straight to COGS (produce). Another 20% is dedicated to delivery, which also goes down with scale and density. Another ~20% goes directly to our packers and payroll. Our pantry staples are our biggest margin generator with most being 40-50% in gross profit. Nearly all other food/grocery delivery services are not profitable, but Peko defies the norm by being slightly profitable - which goes to show that sustainability can (and is) a proponent to a strong business.



We have entirely bootstrapped Peko. We are not actively fundraising, but we are exploring a \$500K seed round to fuel our marketing engine, begin our expansion beyond British Columbia, and further grow our ops team.

Our most recent development includes our strategic partnership with [The Food Stash Foundation](#), a well-known charity in the greater Vancouver area with a similar mission. This alliance enables us to reduce our entire labour cost by utilizing Food Stash's volunteer base, and in exchange, we have a profit-sharing agreement with them (40/60) that increases our gross profit by around 30%. We started this partnership in September 2022 and have seen great success, allowing us to increase our delivery days to the weekdays as well as weekends, and we have signed a partnership agreement for the foreseeable future to grow together as mission-aligned organizations.

Operations

As at February 2023, we currently use the facilities of The Food Stash Foundation to pack our boxes. We have detailed SOPs and a dedicated warehouse manager onsite. We operate in their warehouse twice a week: once for Wednesday deliveries and once for Sunday deliveries, where we pack and ship on the same day to ensure the highest quality of product for our customers. We are FoodSAFE and WorkSafeBC compliant.

Management Team

Arielle Lok (co-founder): Arielle is a venture gal, in and out. She's worked at District Ventures Capital, Canada's largest consumer goods venture capital firm, and spent 2 years at Shopify's venture fund, investing in the future of ecommerce. At Peko, Arielle runs operations, finance, and strategy with Sang and manages our on-the-ground team of 4 (and growing). She's entranced by produce economics - "Pekonomics", and how it can be leveraged to serve the most underserved.

Sang Le (co-founder): Sang is an entrepreneur at heart, having started 6 businesses since she was 11 years old. Sang was a part of Next 36 in 2021, a premiere start-up accelerator for young founders. She previously worked in product & marketing at Clearco, Cisco, LinkedIn, ecobee, and Jupiter (YC S19). At Peko, Sang leads marketing, technology, partnerships and strategy with Arielle while managing our 7-people back office team. Sang is especially passionate about breaking glass ceilings, experiential learning & social entrepreneurship.

Current Risks and Challenges

Supply Chain: Produce, and especially imperfect produce, is known to be extremely unpredictable. There are produce economists (Arielle is our *Pekonimist*) who have dedicated their lives to studying the fluctuations in produce spot pricing depending on weather, supply, demand, road closures, freight, and more. As we continue to scale, although we know that imperfect produce is a huge TAM and problem for farms and distributors, getting them to our warehouse in a timely and cold-chain manner is a big problem to solve. Fortunately enough, we have many experienced mentors who have worked in produce for decades (some even being born into a produce kingdom), so we have lots of people on our side to guide us through the ups and downs of running a perishable good company, and a plethora of resources for fall-backs in case all things fail.

Economic conditions: Food prices are rising not only at a consumer discretionary level, but also upstream the supply chain. We are seeing an increase in costs from our side as well, which means we have to adapt either our product strategy or pricing strategy to maintain savings for our customers. We are currently tackling this internally, and talking to our current customer base to see which will be a more favourable option. As we continue to scale Peko, we may struggle with growing our margins while balancing the other aspect of our mission - affordable food for all. However, increasing volume has always helped us negotiate with our suppliers and working further upstream also will allow us to receive fresher product while cutting down even more costs.

Use of Funds

Winning the SBC Challenge would go a huge way for our growth, as we need to hire more people to join Peko full-time with us. We've been completely bootstrapped from the beginning, using our own money to initially kickstart our operations.

Our team is extremely well positioned to capture Canada's imperfect food market, however we require capital to begin our journey of scaling our own internal operations, growing our team, and introducing more sources of imperfect/surplus foods. One major priority for us is to introduce customizability of produce by securing more partnerships with specialized farms, as well as expanding our line of imperfect/up-cycled staples.

Another priority we have is to expand our marketing channels to fully penetrate the Metropolitan Vancouver Area that we've started in, and strive to outgrow. We will require external capital to bring our operations to our next geographical target, Calgary, to hire more hands to be on the ground in Alberta and to expand our facilities and partnerships. It's early days for what Peko can become, but it requires a lot of upfront capital. We've brought Peko to \$300K+ in ARR from being bootstrapped, and we know we can bring it a lot further with the right funding.

Sustainability Metrics and SDGs

[1] No Poverty, [2] Zero Hunger, [3] Good Health & Well-Being, [12] Responsible Consumption & Production, [13] Climate Action: At the core of Peko, we will forever prioritize enabling access to affordable, healthy food for all. By supporting low-income, food-insecure households with prices ~40% cheaper than grocery stores, we're able to distribute fresh fruits and vegetables to the people who need it most while bridging fresh produce without a home to be adopted within food-insecure households. Our partnerships with the Food Stash Foundation and the Vancouver Community Fridges enable us to provide free, healthy food for those struggling to feed themselves and those around them. Lastly, the produce we divert from wastage is fresher than from grocery stores themselves, resulting from cutting out middle-men and our sourcing strategies in regards to



“ I'M A FAN! I've been wanting to order from a company like this for a while, but never knew Peko existed! I'm always jazzed to support a local Vancouver business that shares similar values to mine so ordering a box of produce was a total NO BRAINER.

- [@steamvegan_kitchen](#)



surplus and “imperfection”.

Peko measures success by tracking sustainable metrics; amount of lbs diverted from wastage, the number of dollars saved on grocery bills, and even focusing on hiring underrepresented groups, specifically providing equal opportunity for new immigrants to join a mission-driven team with competitive pay. We continue to prioritize lowering carbon emissions during delivery through clean electric-powered delivery, and more sustainable packaging with reusable boxes and very limited (to no) plastics.

Current Roadmap

2023: Expand to 3-5 delivery days within Metro Vancouver. Expand our offerings to include more mislabeled/surplus pantry items. Hiring our first full-time team. Expanding to Alberta. Achieve \$4.5M in ARR with a 35% net margin. Rescue 1M lbs of food and save \$6.3M in grocery bills.

2024: Expand to Ontario. Expand our offerings to include more mislabeled/surplus pantry items, especially with large CPG brands. Continue to expand our product portfolio and delivery days at existing regional hubs. Building out regional teams. Achieve \$20M in ARR and a net margin of 45%. Save 8M lbs of food and save \$28M in grocery bills.

2025: Expand to Quebec. Continue to expand our product portfolio and delivery days at existing regional hubs. Achieve \$30M in ARR with a 60% net margin. Save 12M lbs of food and save \$42M in grocery bills.

Closing Remarks

There's no shortage of supply for Peko to take advantage of, and we are propelling our growth so we can rescue more. Food waste has never been a production problem; it has always been a distribution problem, and Peko is the first player in Western Canada bridging this gap. The world is hanging off a cliff. Food costs are at all time highs, supply chain issues are already expensive enough to deal with (let alone working with fresh produce cross-border), and the new generations are becoming more ecoconscious as the Earth is on fire. Peko counters some of the world's biggest problems in food production and distribution. When the supply chain gets even messier from unforeseen circumstances, Peko is there and saves all of the local produce that would've just been wasted (let us tell you about the BC floods and how that accelerated our growth by 12x in a week in November 2021). It sucks to say that the world's downfall is a catalyst for our company - but we need more companies like this to counter the damage and turmoil that the world is going to go through in the next 10 years.

Produce is a highly generational industry (ie. the families running the produce street have been doing it for almost centuries, passing it down to one another), and no one is looking to break the status quo. The Peko team is young and scrappy - and best of all, we have nothing to lose but everything to gain from Peko's success. Our founding story is Arielle moving across Canada on a whim of an idea to work with Sang, where we then



knocked on every produce door on the street, touring farms for a month before just full-launching. We are both forces to be reckoned with and will stop at nothing to achieve our goals.

Financial Statements

(Fiscal Year: February 28th. Statement provided below is from March 1st, 2022 to December 31st, 2022 and does not encompass the full fiscal year.)

DRAFT FINANCIAL STATEMENTS			
Peko Technologies Inc.			
Income Statement			
March 01, 2022 - December 31, 2022			
Revenue			
Sales			177,112.63
Other Income			175,146.04
Total Revenue			352,258.67
Cost of Goods Sold			
Purchases		37,895.34	
Delivery Cost		85,190.09	
Subcontractors		7,349.86	
Other Cost		993.88	131,429.17
Gross Profit			220,829.50
Expenses			
Advertising		15,196.07	
Amortization Exp		430.42	
Bank charges		185.45	
Legal and professional fees		3,500.00	
Other general and administrative expenses		631.25	
Meals & Entertainemnt		3,131.16	
Marketing/Promotion		8,101.38	



Rent or lease payments		3,505.52	
Salaries		152,598.83	
Office		5,499.07	
Tools		1,584.36	
Travel		5,352.55	199,716.06
Profit Before Taxes			21,113.44
Corporation Tax- Provision			-
Profit After Tax			21,113.44