



Start-up Sample Business Plan

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1.0 Executive Summary

This business plan will show how a total investment of only \$101,500 could yield cumulative net profits in excess of \$600,000 over a five-year period, and average monthly sales of \$72,000, while maintaining adequate levels of liquidity.

The purpose of this plan is to secure additional funding from an investor and a bank (\$29,500 investment, and \$30,000 five-year term business loan), to cover the start-up costs.

Take-Out Pizza, Inc. is a family-run start-up business dedicated to providing excellent quality New York-style pizza to the residents of Local Bay area, in a manner that generates fair and equitable returns for present and future owners, and superior value to our customers. We specialize in creating and offering a variety of deliciously different pizza.

The Local Bay area has experienced explosive growth over the past five years. Over one million residents now live in the area. Local businesses are slowly catching up with this new opportunity. We are opening a new pizza take-out and delivery service that will focus on the Local Bay area.

Currently, the closest pizza restaurant is one mile away from our intended location in the Local Bay area. Take-Out Pizza, Inc. will offer a better product, at a reasonable price, and will deliver it on time to the customer's door.

1.1 Objectives

- To attract a minimum of 100 regular customers per day for pizza take-out and delivery, in the first year of operations;
- To offer our customers excellent pizza services, at a reasonable price, and provide outstanding customer experience, measured by minimum 5 percent yearly sales growth, and customer complaints less than 1 percent.
- To generate positive cash flow from operations, and at least 10 percent net profits to sales.

1.2 Mission and Vision

Take-Out Pizza Inc.'s *mission* is to offer residents of the Local Bay area the best pizza service in the area. We are committed to providing the service quality and value that our customers expect.

Take-Out Pizza, Inc. will use its strategy, staff, and systems to provide each customer with a seamless three-part customer experience -- service product (New York-style pizza), service environment, and service delivery -- each part of which will meet or exceed our customers' expectations.

Our *vision* is to become the first choice of pizza in Local Bay area, and a respected company -- as measured by our customers, our employees, our shareholders, and the community we live in.

Our *values* are critical to our success. They are the strong foundation of Take-Out Pizza, Inc., define who we are, and set us apart from our competitors. They underlie our vision of the future. These values include:

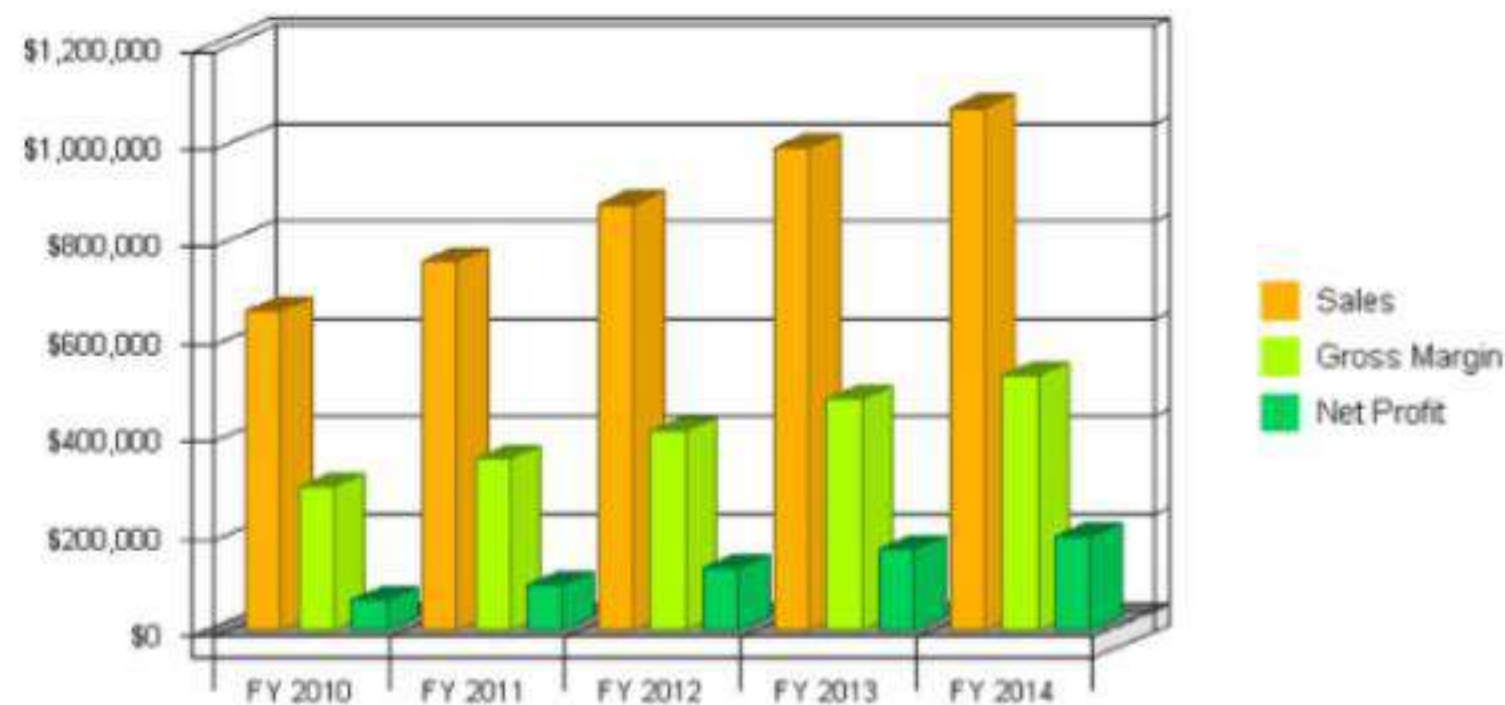
- *Performance excellence.* We act like responsible owners, always seeking to meet or exceed expectations.
- *Teamwork.* We act as a team, committed to each other, and bound by trust and loyalty.
- *Integrity.* We treat one another, and all our stakeholders with dignity and respect. Honesty, ethical behavior, and integrity are fundamental characteristics of our business conduct.

1.3 Keys to Success

Our keys to success are:

- Excellent product and service that will build and maintain customer loyalty.
- A business location that will assure high company visibility and a high flow of customers.
- Proven management ability to successfully run a similar business.
- Our commitment to continuous improvement and total quality services.

Highlights



2,950 shares at \$100 par value, or 29.06 percent ownership. The new investor would be invited to discuss the quantity and quality of the stock to be issued, before the incorporation procedures are started. Additional information about investor's interest, entry, and exit strategy is available in the important assumptions section of this plan.

1.6 Products and Services

Take-Out Pizza, Inc. will offer a wide variety of New York-style pizza, as well as sauces, sodas, fruit juices, and desserts.

1.7 Market

The Local Bay area is a growing low-to-middle-class area, counting more than one million residents. There are about five hundred businesses close to our location. Most of these residents are families of three or more. The average income for the area is \$45,000.

With continued growth in the area, opportunities to serve the Local Bay residents will increase. The company will sell to individuals, but it will also accept some occasional catering jobs to individuals and companies in the area.

The main market segments are: a) individuals (retail customers) accounting for more than 90 percent of our sales, and b) local businesses (corporate customers) which, in terms of purchase orders, typically make larger orders for their employees and business needs.

1.8 Strategy

Our strategy is based on delivering a strong customer value proposition in a niche market. We are looking to offer the Local Bay city and its surrounding areas a new choice in pizza options.

We are building our marketing infrastructure so that we can eventually reach more customers with the same pizza offering. We focus on satisfying the needs of low-to-middle class residents and companies located inside or outside the Local Bay Industrial Park.

Table: Start-up Funding

<u>Start-up Funding</u>	
Start-up Expenses to Fund	\$47,500
Start-up Assets to Fund	\$84,000
Total Funding Required	\$131,500
<u>Assets</u>	
Non-cash Assets from Start-up	\$74,000
Cash Requirements from Start-up	\$10,000
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$10,000
Total Assets	\$84,000
<u>Liabilities and Capital</u>	
<u>Liabilities</u>	
Current Borrowing	\$0
Long-term Liabilities	\$30,000
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$30,000
<u>Capital</u>	
<u>Planned Investment</u>	
Owner 1	\$36,000
Owner 2	\$36,000
Investor	\$29,500
Other	\$0
Additional Investment Requirement	\$0
Total Planned Investment	\$101,500
Loss at Start-up (Start-up Expenses)	(\$47,500)
Total Capital	\$54,000
Total Capital and Liabilities	\$84,000
Total Funding	\$131,500

2.3 Company Ownership

Take-Out Pizza, Inc. will be a privately held C-corporation owned in majority by John Walker and his wife Lisa. A new investor will be invited to participate in the company's capital.

At the time of formation, Take-Out Pizza, Inc. plans to issue 10,150 shares of \$100 par value common stock. The issued and outstanding common stock would be \$101,500. John and Lisa Walker, husband and wife, would receive 3,600 shares of \$100 par value, or 35.47 percent ownership each. Their total contributed capital would be \$72,000.

In return for investing \$29,500 in the company capital, the new investor would receive 2,950 shares of \$100 par value, or 29.06 percent ownership. The new investor would be invited to discuss the quantity and quality of the stock to be issued, before the incorporation procedures are started. Additional information about investor's interest, entry, and exit strategy is available in the important assumptions section of this plan.

Take-Out Pizza, Inc.'s prices will not beat the competition. We are aware that we cannot compete on price only. That is why we prefer to focus on assessing customer expectations, and our core competencies, decide which expectations we can reasonably meet, then make sure to constantly exceed them wholeheartedly. Thus, we will be able to maintain and increase the level of customer satisfaction, as a strong foundation for future growth.

The entire delivery process will be conducted through five main food-catering online services that have excellent references in the Local Bay area, and we can choose to be one of their participating suppliers. In this way, we are able to save on delivery costs and logistics, and simultaneously use the high Internet exposure of our partners. In addition, delivery people will use their own vehicles, so the business will not have to purchase delivery vehicles or hire drivers.

2.1 Start-up Summary

After spending several months searching for a convenient location, the owners decided to lease a commercial space in a densely populated area of Local Bay. The start-up capital will be used for legal expenses, kitchen inventory and equipment, packing and other materials, insurance, rent, promotion and business sign, and inventory on hand at start-up, as shown in the table below.

Rent. The commercial property will be leased in August, 2009 for a minimum of five years, with the option to extend the lease for another five years after that.

Kitchen inventory will include specific tools and accessories that are typically needed for a pizza production and service facility and includes:

- Food preparation: aprons, blender, gloves, storage containers, trays, work tables, mixers, condiment bottles, cleaning supplies and equipment, tableware, pots and pans, glassware, paper, pizza pans, etc.
- Pizza tools: parchment paper, oven brush, bobble popper, pizza tray rack, pizza separator, and other specific items.
- Utensils: cooking utensils, wheel cutters, cutting guide, rocker knives, etc.

Kitchen equipment includes mainly pizza ovens, pizza dough equipment (digital scale, mixer, dough docker, automatic dough press, pizza sheeter, manual pizza press), pizza display merchandiser, refrigerated preparation tables, freezers, cooler package, and holding table with infrared warmers.

Fifty thousand dollars worth of equipment (long-term assets) will be expensed over the next five years, using the straight-line depreciation method. A complete list of the equipment to be purchased, including prices and acquisition terms, will be made available for both the investor and the bank's consideration.

Our company policy is to purchase only new, state-of-the-art, energy-efficient equipment from reliable suppliers in the food industry.

2.2 Start-up Funding

We have estimated total start-up costs of \$131,500. The numbers in the start-up and the start-up funding tables are meant to reflect these estimates. The company capital will be \$101,500.

John and Lisa Walker, as **co-owners**, will provide the bulk of start-up financing in the amount of \$72,000 (\$36,000 and 35.47 percent ownership each). Approximately \$59,500 additional funding is needed. The purpose of this business plan is to secure financing for that amount.

An **investor and co-owner** is welcome to participate in the company's capital for the amount of \$29,500, and could be offered a portion of 29.06 percent ownership of the \$101,500 company capital. The funds provided by the investor will be used to buy equipment, and to cover part of the start-up expenses. More details about the investor's potential interest in the company are provided in the important assumptions section of this plan.

For the remaining \$30,000 additional financing needed to cover the start-up costs, the company plans to receive a **five-year term commercial loan facility** which will meet the cash flow requirements. The borrowed funds will be used exclusively to buy equipment, based on the list that will be made available to the lending institution. The loan could be repaid in equal monthly installments over a five-year period.

Our cash-flow analysis demonstrates the company's ability to repay the loan and meet the interest payment obligations, while maintaining adequate liquidity and generating positive cash flow and sufficient cash reserves for unforeseen future events.

For conservative purposes, the annual interest rate has been estimated at 12 percent. The actual interest rate and the borrowing terms will be negotiated with the participating bank. Strong collateral could be provided by an SBA guarantee, and by the owners' personal assets (for example, cash collateral in the form of certificates of deposit, to cover the remaining collateral requirements in addition to the guarantee).

5.5 Marketing Strategy

The marketing strategy of Take-out Pizza, Inc. centers on creating and developing a corporate identity that clearly defines our market niche in terms that benefit our retail and corporate customers.

Market needs and trends. Since our target market includes two major segments -- low-to-middle class residents in the Local Bay area, and local businesses that are located inside or outside the Local Bay Industrial Park -- their most important needs are service, price, and delivery, in that order.

One of the key points of Take-Out Pizza, Inc.' strategy is to focus on these target segments that know and understand these needs, and are willing to pay a reasonable price to have them fulfilled.

Factors such as current local trends and historical sales data of similar businesses in the area, ensure that the high demand for pizza will continue over the next five years. Trends are in our favor: the last study we saw published in the Local Bay area has fast-food and limited-service restaurant sales growing at 10 percent per year, while fine-dining restaurants, for example, experienced and will probably continue to see more than 20 percent decrease in sales.

Our previous experience in running a similar business shows that **advertising** costs can easily overwhelm a start-up company, so keeping marketing simple, creative and cost-efficient will be challenging. Cost-effective use of marketing dollars is one of our keys to success.

To reach our potential customers, a combination of marketing techniques will be utilized:

- **Local media** (radio is most effective in the Local Bay area, followed by print media). Radio and newspaper advertising will include our core positioning message, and the New York-style pizza that we offer, in order to differentiate our service from the competition.
- **Sales literature.** To drive sales initially, Take-Out Pizza, Inc. will utilize a four-color catalog with a different cover including the company logo and contact address. We have developed a price sheet to be enclosed with each catalog.

In addition, we will produce in-house flyers on an as-needed basis that will also serve to advertise special events and sales promotions. The flyers and catalogs will be distributed using traditional methods: a) give-away in store, b) enclose in order shipments, c) hire distributors or personally hand out in the Local Bay Industrial Park area, e) distribute at local trade shows and other business events organized by the local Chamber of Commerce, and f) attach business card and coupons.

Upon release of a new catalog, we will need to check into the financial feasibility of utilizing direct mail for bulk distribution. Certainly, the main task will be to clearly define the message of our sales literature to make certain that we are



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