

**SOLUTIONS MANUAL**

Solomon • Poatsy • Martin



**BETTER BUSINESS**

THIRD EDITION



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# MINICHAPTER 2: CONSTRUCTING AN EFFECTIVE BUSINESS PLAN

## CHAPTER OPENER

Business plans are essential for guiding the work of organizations, acquiring employees and investors to the organization. This chapter is designed to help you understand the purpose and components of a business plan.

## DETAILED LECTURE OUTLINE

### I. The Purpose of a Plan

#### A. Introduction

1. A business plan is a written document that details a proposed or existing business, the vision, current status, the markets it serves, and projected results of a business.
2. There are three purposes to writing a business plan
  - a. Development: Writing down your business plan solidifies and defines your business goals.
  - b. Management: A business plan should summarize how your business operations will translate into profits.
  - c. Communication: A business plan is often used to attract investors or other stakeholders.

#### B. Business Plan Competitions

1. Many top business schools and colleges in the U.S. offer business plan competitions with cash prizes ranging from \$10,000 to \$100,000.

#### C. Before the Business Plan: Finding the Right Fit

1. It is important to articulate your own personal business plan and determine if your personal objectives match those of the business that you've imagined.

### II. Components of a Business Plan

#### A. The Cover Sheet and Table of Contents

1. Basic company information
2. Company logo
3. Contact information
4. Month and year business plan was created
5. Name(s) of those who prepared the plan
6. Unique record number for tracking plan distribution.

#### B. Executive Summary

1. An executive summary is an abbreviated form of the entire business plan.

#### C. The Company and Management Team

1. Mission and vision statements
  - a. The mission and vision statements spell out what the founder ultimately expects the business to be and its core values and contributions to society.
2. Industry profile
  - a. The industry profile describes the context in which the business will operate.
3. Company profile and strategy

- a. The company profiles details regarding how the business works and a unique chance to impact the industry.
  - b. The company summarizes the company's plans for growth and profit.
- 4. Anticipated challenges and promoters
  - a. This section discusses potential vulnerabilities from competition, industry, or economic situations.
- 5. The management team
  - a. This section should list the members of the management team and their experience, knowledge, or creative ability that each member brings to the team.
- D. Market Analysis
  - 1. The market analysis identifies who your customers are and explains how to reach them.
    - a. The main purpose of this section is to explain the product.
  - 2. This section should include an assessment of the general market and the industry.
    - a. Market research and analysis of the market
    - b. Assessment of the competition
- E. The Product
  - 1. Product description
  - 2. How product will be produced
  - 3. Pricing strategy
- F. Sales and Promotion
  - 1. Approaches to promote and sell the product or service
- G. Financials
  - 1. Income statement
  - 2. Balance sheet
  - 3. Cash flow statement
  - 4. "Stress Test" how business will perform under worst case, expected case, and best case scenarios.
- H. Appendices
  - 1. Resumes of key managers
  - 2. Pictures of product, facilities, production, etc.
  - 3. Letters of recommendations, professional references
  - 4. Published information
  - 5. Contracts and agreements, copies of patents, copyrights, trademarks
  - 6. Media, articles

NOTE End the lecture by asking students to write down the muddiest points of the lecture. This will allow you to know what might need to be re-taught.

## SUPPLEMENTAL ACTIVITIES

### Supplemental Class Homework Activity

#### Venture Capital PowerPoint Presentation

Activity Overview This exercise gets students to pare down a business plan into a "elevator pitch" for venture capitalists, if you will.

Time Limit 20 minutes

#### What to: Do

- Tell students that they are being given the opportunity to spend 10 minutes with a venture capitalist. In that time, they will have to present their business idea. Fortunately, the students will have the equipment they need to give a presentation but the presentation can be no longer than 10 slides, maximum.
- Suggest the structure of the presentation as follows:

Slide 1 Contact information, such as that found on the cover sheet.

Slide 2 Mission statement.

Slide 3 Team members and key background information

Slide 4 Describe the nature of the problem you address. Why do you need to get in? How does your product solve the problem on this slide. Include how dire a problem this is and how it is introduced currently by competing products.

Slide 5 Introduce the product and benefits

Slide 6 Elaborate on how the product resolves the problem and the unique value it provides. Describe the technology/methodology used.

Slide 7 Present customer testimonials, product successes, positive media coverage, etc.

Slide 8 Sales strategy. How are you reaching the customer?

Slide 9 Who are your competitors? Market size? How do you think competitors will react to your product?

Slide 10: Key financial information (may need to slip in a few extra slides)

- Have students present their final plan to the class for review.

Don't Forget Constructing a business plan, even this slide outline, is difficult for many business students. Giving lots of guidance or doing this together may be helpful. An understanding of what is required in planning a new business.

Wrap Up Have the class critique the business plans as they are presented. Ask them to identify what would fund the project, and why. Then ask them to discuss how well each team did. Pull in concepts from the various chapters of the text into their presentation.

## Supplemental Homework Activity

### Business Plan Review

<http://www.businessplans.org/businessplans.html>

Activity Overview: Students locate an actual business plan and critically

Time Limit: 45 minutes

What to Do: Students can work alone or in groups. As homework, have students <http://www.businessplans.org/businessplans.html> and select at least three business plans that are presented. Then, students assume the role of a venture capitalist. Would they invest in the venture? Why or why not? What areas of the business plan help promote the business plan need further refining?

Don't Forget: Note that while the business plans presented on this website are the "best," investors may still not want to finance them, due to economic or other concerns. Be prepared to discuss the rationale behind their decisions.

Wrap Up: After providing sufficient time for students to go through the business plans, discuss student findings. What areas of the business plan needs improvement? Which areas of the business plan were really helpful? Why?

## Supplemental Homework Activity

### SCORE!!

Activity Overview: Students explore the SCORE website.

Time Limit: 20 minutes

What to Do: Ask students to visit the SCORE Website ([www.score.org](http://www.score.org)) and write a brief report on how SCORE can help entrepreneurs and small businesses register and obtain financing. About SCORE and How Score Can Help You: places of interest, how to register and business templates. Small Business, which contains a template for creating a business plan.

Don't Forget: The idea is to let students know that starting a business is within

Wrap Up: Anyone who is interested in starting a business should visit SCORE. There are many Small Business Association offices located near most people. Help can also be found at universities, which often have a small business development center. Chambers of Commerce.

## ENHANCING THE ONLINE COURSE

SBA Review Have your students access the information at the website for Administration [www.sba.gov](http://www.sba.gov). Ask your students to provide an outline on the discuss the major points of information required/recommended by the SBA for a business plan.

Business Plan Review Have your students search the Internet for at least three examples published online by companies who have completed a business plan. Ask your students to audit the business plans by comparing them to the examples. Do these plans have the comprehensive information outlined in the text? What is missing?

On a Mission Ask your students to identify Mission Statements of three Fortune 500 companies as posted online. Ask your students to comment on what is stated in the mission statements. Are your students surprised at the overall direction of these statements? Are the stated goals (via the mission statements) commensurate with the images of the companies? Have your students post their assessments on the course website.

To Market Have your students examine the business plans of at least three companies posted online. Ask your students to review the market analysis. Do you think the companies have done a good job in assessing the markets? Are the online analyses possible that companies have posted or do the analyses seem to be comprehensive, with usable data that can be relied on to make decisions?

Financial Review Review the same companies that the students have previously reviewed. Have students review the financial data included in the business plan. Ask them to determine: 1) the investment the company will need for start up or to expand; 2) sources for the investment; 3) other start-up or expansion costs (such as capital projects) included in the business plan; 4) timeframe in which return on investment is expected.



# THE BUSINESS PROJECT Instructor Notes

## Assigning the Business Plan: An Overview

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The business plan project is a great learning experience for students. Many students enter the classroom with the dream of owning their own business. This project is often the first step in making that dream come true. As a result, this project is a valuable tool for the students. The project also serves as an exceptional assessment tool, helping students have mastered the course material. More importantly, the business plan project is a high-level thinking that a learner can take into any profession. During this assignment, consider the many aspects of the world of business and demonstrate an ability to

## Assigning Part 1: Introduction

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### Assignment Overview

The first step of the business plan requires that the student generate an idea for a business. Students will usually fall into one of two categories. The first are those students who have thought about starting their own business, but do not have a specific idea. These students will need a comprehensive document. These students often need the most help in generating a starting point. For students who need a helpful nudge, you may wish to suggest a business that is familiar. This could be a business in which they are currently employed. The familiarity will lessen their anxiety about the project, and makes the first step easier. The second type of student is the learner who has never owned a business. This project is especially rewarding for these students, but they still may be concerned about the size and therefore may also appreciate some intermittent guidance.

### Files to Provide Students

Because this is the first part of the business plan, provide students with a copy of the Student FAQ. This is located in the Instructor Manual (see following pages) as on [www.mybizlab.com](http://www.mybizlab.com). Give students ample explanation of the project, your expectations, and due dates.

For this part of the project, students will be asked to complete the Business Plan Project Appendix

### Estimated Completion Time

Completion time will vary based on what students bring to the class. Students with a business idea will have a head start on those who do not. During the early stages, a good idea to devote adequate time for a feedback.

### Homework Assignment Deliverable from Students

Each business plan is a unique document, so some variance in response length is expected. A student who demonstrates high ability may write 20 to 25 pages, while others may produce 10 to 15 pages. The length will also be affected by the number of pages you may wish to designate a range of pages for this assignment rather than a specific number. Part 1, expect a range of 1 to

## Assigning Part 2: The Company and Management Team

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### Assignment Overview

This section is quite comprehensive and features several challenging tasks to examine internal and external aspects of a business. In this section, students will be asked to establish the business's position with respect to ethics and the student is asked to describe the industry and sector in which the company operates. Opportunities and threats presented by external factors such as macroeconomic changes, technological changes, legislation, and the like. This is often quite challenging as it requires them to think with a broader view. The assignment encourages them to look internally, students are asked to define the company profile and establish goals and then evaluating the company's strengths and weaknesses. The assignment describes the organization and creates an organizational chart.

### Files to Provide Students

For this part of the project, students will be assigned the Company and Management Team of the Business Plan Project Appendix.

### Estimated Completion Time

If done thoughtfully, this part of the plan will require a minimum of 4 to 6 hours. Students may struggle with completing the industry analysis, especially identifying the opportunities. You may wish to use class time to respond to questions.

### Homework Assignment Deliverable from Students

The length of student response in this section will again vary depending on the proposed business. For Part 2, expect a range of 4 to 6 pages.

## Assigning Part 3: Marketing

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### Assignment Overview

This part of the project asks students to create a marketing plan, identifying competitors, discussing their product, and explaining how they will attract customers. When they use their creativity, students often enjoy completing this part of the business plan.

### Files to Provide Students

For this part of the project, students will be assigned the Marketing Plan Project Appendix.

### Estimated Completion Time

A well-constructed explanation of the Marketing section will require 3 to 5 hours. To improve the quality of responses so you may wish to use class time during the assignment.

### Homework Assignment Deliverable from Students

The length of student response will range from 4 to 6 pages, but could be as long as 10 pages.

## Assigning Part 4: The Financials

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### Assignment Overview

In this section, students will begin to determine the business's expenses and questions about the costs of doing business will be used as a starting point. Remind students that all of their estimates, the business plan method for accurately estimating how a business may perform. Many students will have trouble with costs. Some assistance is shown on the student template, and you may want resources that students would find helpful.

The business plan spreadsheet templates for students to use in this section. The spreadsheet templates include formulas so that calculations are automatic. The student only has to drop in his or her data. The Excel templates are located at [www.mybizlab.com](http://www.mybizlab.com). If your students cannot access Excel documents, there are free templates available at the SCORE website: [www.score.org/template.html](http://www.score.org/template.html).

The section concludes by asking students to evaluate all of the costs that will go off the ground. Once students are aware of those costs, they must determine if the business is viable.

### Files to Provide Students

For this part of the project, students will need: Part 4: The Financials Business Plan Project Appendix

### Estimated Time Completion Time

A well-constructed explanation of this section will require instruction of 45 to 60 minutes. This is absolutely critical in this section, as most students will need some direct instruction that will help answer the questions related to costs.

### Homework Assignments Deliverable from Students

Expect some uneven response length in this area, because students will be filling in their own data. Most students will complete 4 to 5 pages within this section, including the template.

## Assigning Part 5: The Finishing Touches

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### Assignment Overview

In this final section, students create an executive summary, summarizing the key aspects of the business plan, which they then insert in the front of the plan. Encourage students to look at the executive summary before reading the plan. They should be expected to create a table of contents and cover sheet for the business plan.

### Files to Provide Students

For this part of the project, students will need: Part 5: The Finishing Touches Business Plan Appendix

### Estimated Time Completion Time

Although this section asks students to restate what they have already thought of, it will be the most difficult part of the business plan to do right. Most students can complete this section in 1 to 2 hours, depending on their writing skills.

## Homework Assignment Deliverable from Students

Expect some uniformity, as most of the work will be a 1-page exercise. A 1-page exercise should be a 1-page each for the cover sheet and a page of content. Emphasize that this is what you will be reading. Capture your attention to entice you to

# Business Plan Project Syllabus

## Overview

The business plan project is divided equally into two parts with the parts and chapters in the text. Therefore, you can assign the project in parts after students complete the text. Alternatively, you may wish to assign this project as a capstone project at the end of the course. If the project is designed to be completed individually, you might also consider providing additional support and to exchange ideas as they complete their projects. Being assigned in an online format, it is best to have one discussion forum dedicated to questions for this project, so that everyone can ask and respond to each other.

## Part 1: Introduction

This part of the business plan asks students to identify their business and to identify the target market and forming a concrete notion of what the business will do as well as the product or service. The first part of the plan also asks students to identify the business's mission and briefly describe the business's objectives.

Assign this part of the business plan after completing Chapters 1 through 6.

Suggested due date: end of week four

Suggested due date: end of week six

## Part 2: The Company and Management Team

This part of the plan first asks students to describe how the business will interact with the community and identify its stakeholders. Students are also asked to think about the business's goals, to describe the business's internal and external environment, and to determine the organizational structure of the business. As part of this assignment, students are asked to show the framework of the business.

Assign this part of the business plan after completing Chapters 7 through 11.

Suggested due date: end of week seven

Suggested due date: end of week nine

## Part 3: Marketing

This part of the business plan asks students to think about their marketing strategy (distribution and promotion) and how they apply to their business. Students will list features and benefits as the points of difference for their product or service. After describing the features and benefits, students must connect those described features and benefits to a targeted market. Once a target market has been named, students will describe the target market and predict the buyer's attitude.

Assign this part of the business plan after completing Chapters 12 through 14.

Suggested due date: end of week ten

Suggested due date: end of week eleven

#### Part 4: The Financials

This part of the business plan asks students to think about the financial side of their business. Students are asked to decide how much of their product they expect to sell and how much it will cost to produce. They are also asked to complete a balance sheet and income statement for their business.

NOTE: To keep things simple, we have only addressed fees associated with internet access. (There is a line in the P&L sheet for telephone/internet expenses. If the business student is planning, they can put in website development and maintenance in the other category or add a separate line, if necessary.)

Finally, students will need to identify how much funding they will need to start their business and identify the source(s) of that funding.

Assign this part of the business plan after completing Chapters 15 and 16.

Suggested due date: end of week eleven

Suggested due date: end of week thirteen

#### Part 5: The Finishing Touches

This part of the business plan asks students to write an executive summary, table of contents, and a cover sheet for their plan.

Assign this part of the business plan approximately one week before the due date.

Suggested due date: end of week twelve

Suggested due date: end of week fifteen

## Student FAQs for the Business Plan Project

### 1. Where do I begin?

This project will challenge you to think about all of the parts that are necessary for starting a business. You should think of a business that you would like to begin. Do not use a business that already exists, such as a coffee shop or a bookstore. It would be best if you choose a business that is fairly simple in concept and is of interest to you. Learning comes through the process of using your own ideas. Each section of the business plan project includes information that is discussed in class and in the textbook.

### 2. What should my business plan look like?

Your business plan project should be a complete document. You will need to write the business plan project. Appendix A of the book or online at [www.mybizlab.com](http://www.mybizlab.com) provides the questions in the order that they are shown in the project. Note that the business plan project includes hints that would help you answer each question.

Note that the business plan project is a student-friendly exploration of the business plan (see pages 10-11).

You may also see the Business Plan Project (see following pages) that your plan does not have to look exactly like the sample, but you need to show good organization and content.

### 3. What do I do with my assignment?

Your instructor will give you instructions as to how he or she would like you to complete the assignment. Most likely, you will be given a chance to make improvements to your plan throughout the grading process.

### 4. How will I know if I'm doing the plan correctly?

Your instructor will provide feedback to you about your plan. Students who complete a business plan have these two qualities in common:

They do not procrastinate. A business plan cannot be written overnight, and it requires a good deal of thought and creativity.

They ask a lot of questions. The business plan template that comes with the project includes a list of questions that you should check in your work. Ask your instructor for an explanation.





are the means by which businesses measure their success or failure. In this some of the goals for your business. But first, you'll be asked to articulate a mission statement. A mission statement spells out what you ultimately envision your business to grow to and sometimes includes a snapshot of your strategy to achieve your mission statement reflects the other company and its owners, and the company's contributions to society.

Part 2 of the Business Plan also asks you to analyze the internal and external factors of your business. These external and internal factors are analyzed in a SWOT analysis you'll recall from Chapter 7, a SWOT analysis identifies the business's strengths and threats.

To begin, you will analyze the industry in which your company will operate, the opportunities and threats that face your company. The opportunities and threats are the factors that affect the business:

- Sociocultural forces Will changes in population or culture help your business?
- Economic forces Will changes in the economy help your business, or hurt it?
- Technological forces Will changes in technology help your business, or hurt it?
- Competitive forces Does your business face much competition, or very little?
- Political/legal forces Will changes in laws help your business, or hurt it?

A positive change in one of these factors could hurt the business, while a negative change could help it. Each of these forces will affect different businesses in different ways. These may not affect your business at all. In some situations, an opportunity for one business is a threat for another.

You will also be asked to look internally, and identify the strengths and weaknesses of your business, including global, quality, and cost. The strengths and weaknesses are internal factors that the business can control. What does the business do well (what are its strengths)? What does the business NOT do so well (what are its potential weaknesses)?

Additionally, you will be asked to identify any challenges you anticipate encountering in the future in which you plan to respond to those challenges. It is important to have a plan for any unwanted, but sometimes unavoidable, situations.

Part 2 of the plan also determines how the business is to be run. Part of this is to briefly describe your managers and what contribution they will bring to the business. You will create an organizational chart to get your thoughts organized for a successful business. You'll also examine various factors relating to operations.

## Your Assignment

### Step 1

Open the Business Plan you began working on in Part 1. You will continue to work on the same files you started working on in Part 1.

### Step 2

For the purposes of this assignment, you will plan three company scenarios in the Management Team. Once you have answered the questions, be sure to save your answers and questions in the next part.

## Completing Part 3: Marketing

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So far, your business has an identity, you've described the factors that will influence its success, you've examined your management team and how it will be organized. Part 3 of the business plan asks you to consider your marketing plan.

**Exercise Background: Part 3 of the Business Plan**

In Part 1, you briefly described what your business will do and who your ideal customer is. In this part of the plan, you'll describe your target market, in more detail, listing their geographic level, educational level, lifestyle, age, and so forth. You'll also describe your marketing plans to respond to their market presence.

In addition, this part of the plan asks you to more fully describe the product you are planning to sell. Once you create a clear picture of the product, you'll describe how it will be marketed, that is, how it will differentiate itself. This part of the plan also asks you to describe your product.

Finally, you'll examine how your business will get the attention and interest of your target market through advertising, personal selling, sales promotions, and publicity and public relations.

This part of the business plan encourages you to be creative. Have fun! Provide as much detail as possible, as this reflects an understanding of your product and buyer. Make sure you are addressing the need and filling it. Does your product do this?

**Your Assignment**

**Step 1**

Open the Business Plan you began working on in Parts 1 and 2.

**Step 2**

For the purposes of this assignment, you will answer the Part 3 Marketing Analysis questions. Note: Once you have answered these questions, you will be answering additional questions in the next part.

## Completing Part 4: The Financials

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Now that you've had fun with your marketing ideas, it's time to think about the financials of your business.

**Exercise Background: Part 4 of the Business Plan**

This part of the business plan asks you to consider the costs of doing business, including salaries, utilities, and other expenses. You'll also complete the following financial statements:

- **The Balance Sheet** is a financial statement that identifies the valued items owned by the business (its assets) and the debts that it owes (its liabilities). This information gives the owner and potential investors a snapshot of the business.
- **The Income Statement** is the focus of the financial plan. This document shows how much it takes to be profitable and successful as a business owner for your first year.

After you have identified the costs of doing business, as well as how much you will earn in one year, you will articulate how much you will need to get the business funding you will be seeking, and how you will use the funds.

#### Your Assignment

##### Step 1

Open the Business Plan you began working on in Parts 1

##### Step 2

For the purposes of this assignment, you will answer the following question:  
Note: Once you have answered the question, save your Word document. You will be answering the question in the next part.

#### Completing Part 5: The Finishing Touches

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It is now time to add some finishing touches to your plan.

#### Exercise Background: Part 5 of the Business Plan

Before you turn in your plan, you need to create a cover sheet and table of contents. The executive summary is a brief summary of the project by the executive with the purpose of the executive summary to give the reader a quick snapshot into your proposed business. If written well, it will encourage the reader to continue to read the rest of the business plan. This exercise comes at the end of the plan once you are done writing it, you will place the cover sheet, table of contents, and begin your completed business plan.

#### Your Assignment

##### Step 1

Open the Business Plan you began working on in Parts 1

##### Step 2

For the purposes of this assignment, you will answer the following question:  
Finishing Touches

Sample Business Plan  
By Roger Miller  
Prepared September 201

# The Vault Grill

135 High Street ❖ Mainland, PA 12345



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610-484-2323  
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## Executive Summary

The Vault Grill will be located in the town of Mainland, Pennsylvania, with a population of approximately 20,000 people. The restaurant will offer a friendly atmosphere for people of all ages. We will serve a large variety of food, but our specialty will be our grilled fish, steaks, and burgers.

The mission of The Vault Grill is to provide a quality product and service served by happy people. We will demonstrate our devotion to the community through customer service and community relations.

Our ideal customers are those who are looking for a fun and casual and affordable meal. We will be located in the former National Bank building, so we plan to cater to business men and women during the work hours. Additionally, since there is a small college nearby, many of our customers will be students and faculty members.

Customers will visit us for several reasons. First are our grilled meats, which are the main appeal for their flavor since Joe Mesland, the grill master, uses special and sauces that offer a unique flavor to customers. Customers can select how they would like their entrée prepared by selecting a dry rub or the level of spiciness. Second, we offer a fun and casual atmosphere that customers can relax and enjoy their time spent at the restaurant.

The Vault Grill is also part of the local history. It is located in the former National Bank building. The original bank offers a unique atmosphere with vaulted ceilings, marble floors, and unique windows in the upper level. We are planning on keeping the original vault and some of the other fittings to preserve the historical nature of the building.

Our business will be a limited liability company. We have structured it as an LLC for personal protection since we will also be serving liquor.

All partners are well qualified to run this restaurant. Steven Smith is the owner and has a background in Hospitality Management. He has managed several successful restaurants including Henry's Meat House and The Funky Kitchen. Roger Miller has a background in management, and in addition to a strong background in financial management, he is recently a partner in a local steak house franchise. Joe Mesland is the head chef at the Cajun Grill for the last ten years and won the Best Chef Spoon award.

Our business will thrive for a number of reasons. First, the city has a stable population, with a number of healthy industries and a new

Second, the local population is upstream middle class. We believe that a large portion of the population will have the desire and income to eat out on a regular basis. Our skills and knowledge in food service, combined with our connection to the local community, will make this business a sound investment.

# PART 1. INTRODUCTION

## ~~BUSINESS~~ NAME

The Vault Grill

## ~~BUSINESS~~ DESCRIPTION

The Vault Grill will be located in the town of Mainland. The restaurant will offer a friendly casual dining atmosphere for people of all ages. We will offer great meals and desserts, especially our grilled fish, steaks, and burgers.

## ~~BUSINESS~~ FORM OF OWNERSHIP

The business will be a limited liability corporation with three partners. Each partner has special skills that they bring to the business.

## ~~CUSTOMER~~ IDEAL

Our ideal customers are those who are looking for a fun and casual dining experience and affordable meal. We plan to cater to business men and women during the lunch hour and in the evenings as well as to the students and faculty at the college. We will have special promotions focused on each of these groups, to be discussed later.

## ~~COMPANY~~ ADVANTAGES

Our grilled entrees will define our customer's experience and provide a competitive advantage. The Vault Grill over the other restaurants in the area. The main appeal of our grilled entrees is the flavor, since Joe Mesland, the grill master, has developed marinades and sauces that offer a unique taste to any meat or fish entree. We will offer how they would like their entree prepared, such as a dry rub or sauce of varying spiciness. Second, we offer a fun and casual atmosphere that encourages customers to relax and enjoy their time spent at the restaurant.

The Vault Grill is also part of the local history and is associated with the former National Bank building. The original bank offers a unique atmosphere with vaulted ceilings, marble floors, and unique windows in the upper level. We are planning to make the original vault a visible part of the decor and are currently restructuring the original teller area as the bar. Finally, we will use other fittings as possible to maintain the historical nature of the building.



## PART 2. THE COMPANY AND MANAGEMENT TEAM

### THE MISSION STATEMENT

#### MISSION STATEMENT

Our company aims:

- to sell delicious and remarkable food and drinks that meet the highest standards of quality, freshness, and seasonality and -creative and innovative but also traditional grilled styles of cooking,
- to consistently provide our customers with impeccable service by demonstrating warmth, graciousness, efficiency, knowledge, professionalism, and pride in our work,
- to have every customer who comes through our doors leave feeling satisfied, satisfied with Vault Grill and excited to come back again,
- to create and maintain a restaurant that is comprehensive and pays attention to every detail of operation,
- to provide all who work with us a friendly, cooperative, and safe work environment, which encourages satisfying employment, and
- to be a giving member of the Mainland community and to use our resources to improve the quality of life in the area.

#### ETHICAL ISSUES

Our integrity means more than profit; service, quality, and satisfaction are more important than volume; and honest systems are the basis of service. Therefore, our company's ethics is as follows.

We will:

- ensure that our food and drink meet the highest standards of quality, freshness before and after they are prepared,
- ensure our pricing and performance is done with honesty and integrity,
- ensure our business practices meet the highest standards of safety, sanitation, and
- ensure our employees are treated fairly at all times.

#### SOCIAL RESPONSIBILITY

The Vault Grill, as an integral part of the Mainland community, will donate edible and unused foods to the local food bank and will donate to needy families throughout the year, especially at holidays. We recognize that our social responsibility to society goes beyond food; therefore, we will

environmental policy and recycle whatever we can, and sponsor healthy lifestyles.

## INDUSTRY PROFILE

### INDUSTRY DESCRIPTION

The Restaurant sector is in the Services industry. There are restaurants fighting for the same pie, from fast food joints, small take-out places, to more sophisticated dining are all part of the Restaurant sector. Additionally, cafes, tearooms, and restaurants such as Italian, Mexican, Chinese, and Thai are all part of the base. The Vault Grill sees itself positioned in a niche in a slow-down environment at an affordable price. There are very few local region that fall into this type of category.

### OPPORTUNITIES AND THREATS

Mainland is a vibrant community that has attracted a variety of individuals from spending money eating out, since The Vault offers reasonable prices and caters to businesses, the potential negative economy is reduced. The opportunity exists to expand our customer base beyond the business and college crowd in Mainland.

In addition to economic strain, the local areas that supply the produce, which could affect the availability of produce. Similarly, an issue affecting the quality or availability of poultry (such as avian influenza and mercury in the fish) is a possible threat. Nonsmoking restrictions have been put in place for all restaurants. Since this restriction has been made prior to our opening, we do not have any impact on our business.

## COMPANY PROFILE AND STRATEGY

### BUSINESS GOALS

First-year business goals:

1. To break even
2. To build a strong customer base
3. To minimize employee turnover

Intermediate-term business goals:

1. To begin a catering service within three years
2. To earn profits of \$500,000 within five years

## COMPANY STRENGTHS

Foremost, we have a highly motivated management team with restaurant business from a management and business perspective. The chef is a grilling specialist who is responsible for grilling preparation for over 15 years. Our business is committed to ensure that we meet the dining and entertainment needs

RAW MATERIALS AND SUPPLIES

The Vault Grill will need to purchase all inventory. Prices listed reflect equipment and furniture. We are looking for used equipment to reduce overall costs.

15 Tables @ \$35.0 each.....	\$5,250.....
60 Chairs @ \$10.0 each.....	6,000.....
15 Barstools @ \$.15.0 each.....	2,250.....
2 Cash Registers @ \$22.5 each.....	450.....
Squirrel POS System.....	1,500.....
Char Grill Oven Unit.....	1,000.....
Viking Burner Stove.....	3,500.....
3 Microwave Ovens @ \$.150 each.....	450.....
Deep Fryer.....	2,500.....
Refrigeration Unit.....	2,000.....
Freezer.....	4,000.....
Ice Maker.....	1,000.....
Dishwashing Unit.....	2,000.....
3 Prep Tables @ \$200 each.....	600.....
Table Linens and Napkins.....	500.....
100 Small Glasses @ \$1.00 each.....	100.....
100 Large Glasses @ \$1.25 each.....	125.....
60 Wine tumblers @ \$2.00 each.....	1,200.....
100 Sets Plates, Bowls, Mugs @ \$10.00 each.....	1,000.....
100 Sets Silverware @ \$1.2 per set.....	1,200.....
Miscellaneous Kitchen Supplies.....	2,000.....
Table and Restaurant Decorations.....	1,375.....
Total.....	\$40,000.....

In addition to the above, we anticipate renovating \$200,000 to convert the existing bank to a restaurant and kitchen facility. Our bar will hold wine, and beer and our pantry with basic cooking as canned products, spices, and condiments. We anticipate inventory stocking costs to be approximately \$5,000. Most of our bread and dessert offerings will be made fresh. All other food items will be purchased from

distributors on a weekly basis. In production will be used as much as possible.

Our inventories will not be significantly affected by change in

We plan to be open from 10 a.m. to 10 p.m., Monday through Thursday, midnight Friday and Saturday. We will be closed on Sundays, Christmas, and New Years.

## ANTICIPATED CHALLENGES AND PLANNED RESPONSES

### ANTICIPATED CHALLENGES

We have two major anticipated challenges:

1. We must obtain sufficient funds to start the venture.
2. There is a rumored opening of a steakhouse chain restaurant opening up just outside the Mainland border.

### PLANNED RESPONSES

We plan to respond to these anticipated challenges as follows:

1. The three initial partners are planning to personally contribute anticipated funds needed to start the venture. In addition, with a restaurant that is upgrading its furnishings and kitchen equipment that we can purchase many of the furnishings and kitchen equipment are replacing, thus driving down the level of our initial funding.
2. While the rumored opening of the steakhouse chain may initially be confident that we can win over customers with our attentive, personalized customer focused service, reasonably priced menu, and proximity to other businesses and the college.

## THE MANAGEMENT TEAM

### MANAGEMENT

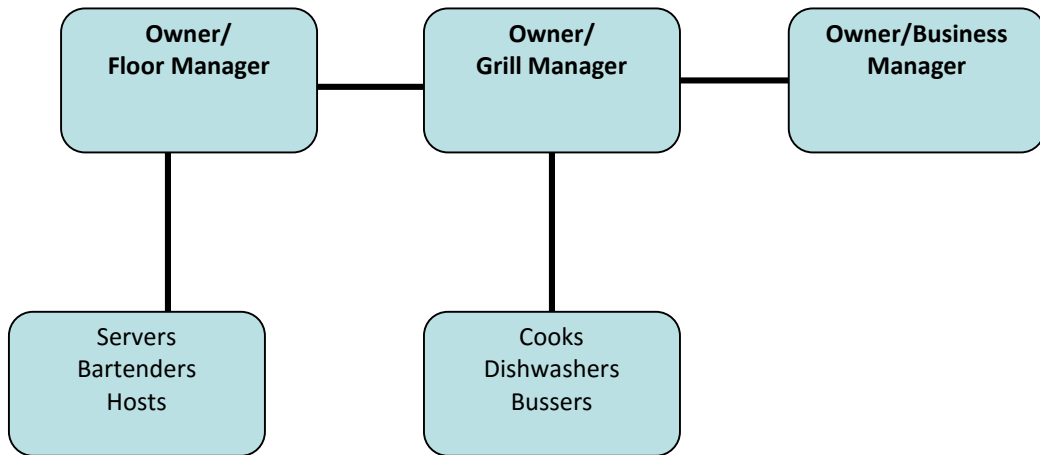
There is one level of management, with the three different types of managers as follows:

- Floor Manager
- Grill Manager
- Accounting Manager

All managers are employed by

## ORGANIZATION CHART

The organizational chart for The Vault Bar and GrillCafé is q  
contains only one level of management. As the business grows,  
management and more employees may need to be added.



# PART 3. MARKETING

## MARKE ANALYSIS

### MARKE RESEARCH

The Vault Grill will have two market

The first target market is the businessmen and women who work in the surrounding areas. These individuals are college educated, in their 30s, 40s, 50s, 60s, middle class, and will be looking for quick, reasonably priced, and a pleasant atmosphere in which to entertain business associates and clients. The second target market is the younger professionals in their 20s and early 30s who will be looking for a clean and reasonable place to meet after work for dinner or a few drinks.

The second target market is the multi-age. While we do not expect that many of our regular customers will be students, we do anticipate that members, administrators, parents of students, and some students will frequent The Vault Grill. The demographics of this second target market vary quite widely but are held together by their connection to the university. The second target market will be more seasonal in nature, as it is primarily from September through May.

### ASSESSMENT OF THE COMPETITION

Several competitors exist in the area, ranging from the fast food chains like McDonald's and Burger King to other casual dining places to more sophisticated high-end restaurants. There are also a handful of cafes and ethnic restaurants. The Vault Grill sees itself positioned in the market as a quality meals-diner environment at an affordable price. There are several restaurants in the local region that fall into this type of category, including the Mainland Diner, Winston's, and The Country Restaurant.

## THE PRODUCT SERVICE

### PRODUCT FEATURES AND BENEFITS

The Vault Grill's featured menu item will be its grilled entrée with several special rubs and sauces that can be applied to any meat or fish. Customers can select how they would like their entrée prepared with a rub or sauce of varying spiciness. For those who are not fans of meat, poultry, and fish, we will offer pasta dishes, and meat and vegetable salads. Another signature product will be our warm, creamy flavored butters placed at each table after diners are seated.



present a total product offer that includes a delicious, reasonably priced meal, and a relaxing ambience.

## PRODUCT DIFFERENTIATION

People have many choices when it comes to dining out. We will offer a product that stands out from the competition. We will differentiate ourselves from our local competitors. The first is the quality of the food as well as the freshness of produce and bakery goods. Diners place the highest importance on the meal itself, and so will we. To enhance the dining experience, we will pay close attention to employee training. We will have well trained, customer focused, clean, and friendly staff. The details from attire and grooming to efficiency and friendliness will count. Finally, since a significant part of our business will be coming from lunches, we will strive to ensure our customers with time for a quick and attentive service.

## PRICING

Our pricing strategy is fairly simple. We will price our offerings and their prices to reflect our quality products but not too high to suggest that we are a high-end restaurant. Although we will have opening week specials, we will not pursue penetration pricing as we do not want to cause discontent among customers when we inevitably raise our profit later.

## SALES AND PROMOTION

### PLACE (DISTRIBUTION) ISSUES

Mainland, with its business and collegiate communities, offers a large base we are seeking. We foresee no distribution issues. In the future, we will expand The Vault Grill services to offer catering and take-out.

### ADVERTISING

Although we have two target markets, we will have primarily a word-of-mouth approach to attract both collegiate customers initially, but we will use word of mouth recommendations as our best ongoing advertising. Initially, we plan to distribute brochures with sample menus to college faculty and administrators. Our advertisements will include coupons for discounts on our lunch menu. Coupons will also be used to measure the success of the advertising.

We will also be listed in the local phone book and will have a website on the Internet.

In opening week, we will run ads in the local newspaper and college newspaper to advertise our presence.

These ideas are fairly inexpensive ways to get our message  
markets.

## PROMOTION

We will have several opening week and ongoing promotions. During opening week, we will feature buy one get one free lunch appetizer with purchase of two entrees after 6 pm. These special promotions are for the opening week and will seek to generate initial foot traffic in the area. We will also have ongoing promotions. At lunchtime, when many customers are under pressure to return to their office within an hour, we will be served within 20 minutes of ordering or customers get a complimentary appetizer. Similarly, to entice those who work late and drink after work to stay for dinner, we will be offering discounts on meals ordered prior to 6:00 pm. For students who might need an evening break, we will offer a complimentary appetizer and a drink for \$5.99 on Monday through Thursday nights.

We will also have promotions during the fall, when Mainland Community College hosts the Fall Festival. This festival attracts visitors from outside our community. To build attention (and word of mouth) from those who live in Mainland and nearby towns.

## PART 4: THE FINANCIALS

### EXPECTED REVENUE

We believe that we can average 100 customers per day, with an average of 65 at lunch hour and 35 at dinner.

We believe that the average lunch bill will be approximately \$8.00 and that the average dinner bill will be approximately \$17.50 per customer.

This will provide our restaurant with revenues of approximately \$1,150 at lunch and \$1,125 at dinner for total average daily revenue of \$2,275.

Although The Vault Grill will experience a decline in revenues from Monday through Thursday, this will lead to yearly food revenues of approximately \$400,000.

Additionally, we believe we will average 50 customers a day at the bar from Monday through Thursday, with an average bar bill of \$4.00 per person.

On Fridays and Saturdays, we expect more bar customers who will use the bar. Therefore, we expect about 100 bar customers a day on Friday and Saturday with a bar bill of approximately \$10 per person, and on Sunday we expect an average bar bill of approximately \$10 per person.

We anticipate bar revenues of approximately \$122,400.

Total bar and food revenue is anticipated to be approximately \$522,400.

We plan to be closed on Sunday, New Year's Day, and Thanksgiving.

### COST OF DOING BUSINESS

Expenses	Expected Monthly Cost	Expected Yearly Cost
Rent	1,500	18,000
Salaries and Wages	10,000	120,000
Supplies	500	6,000
Advertising and Other Promotions	250	3,000
Utilities: Heat, Electricity	800	9,600
Utilities: Telephone and Internet	100	1,200
Insurance	1,650	19,800
<b>Total</b>	<b>14,800</b>	<b>165,600</b>

## STARTUP COSTS

We anticipate needing \$200,000 for building renovation, \$35,000 for furnishings, and \$8,000 for equipment and supplies for the kitchen and bar, and \$4,000 for stocking costs bringing our startup costs to total \$243,000.

## FINANCING

The three managers will each put a total of \$25,000 into the start-up. Since the remaining \$188,000 that we are requesting for bank financing

# 12Month Income Statement

The Vault Grill

2021

	January	February	March	April	May	June	July	August	September	October	November	December	YEARLY
<b>Revenue (Sales)</b>													
Food Sales	28,7	28,7	28,7	28,7	28,7	28,7	28,7	28,7	28,7	28,7	28,7	28,7	345,0
Bar Sales	10,2	10,2	10,2	10,2	10,2	10,2	10,2	10,2	10,2	10,2	10,2	10,2	122,4
Total Revenue (Sales)	38,9	38,9	38,9	38,9	38,9	38,9	38,9	38,9	38,9	38,9	38,9	38,9	467,4
<b>Cost of Goods Sold</b>													
Food Purchases	8,0	8,0	8,0	8,0	8,0	8,0	8,0	8,0	8,0	8,0	8,0	8,0	96,0
Alcohol Purchases	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	24,0
Total Cost of Goods Sold	10,0	10,0	10,0	10,0	10,0	10,0	10,0	10,0	10,0	10,0	10,0	10,0	120,0
Gross Profit	28,9	28,9	28,9	28,9	28,9	28,9	28,9	28,9	28,9	28,9	28,9	28,9	347,4
<b>Operating Expenses</b>													
Rent Expense	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	18,0
Salary/Wage Expense	10,0	10,0	10,0	10,0	10,0	10,0	10,0	10,0	10,0	10,0	10,0	10,0	120,0
Supplies Expense	50	50	50	50	50	50	50	50	50	50	50	50	6,0
Advertising Expense	25	25	25	25	25	25	25	25	25	25	25	25	3,0
Utilities Expense	80	80	80	80	80	80	80	80	80	80	80	80	9,6
Telephone/Internet Expense	10	10	10	10	10	10	10	10	10	10	10	10	1,2
Insurance Expense	1,65	1,65	1,65	1,65	1,65	1,65	1,65	1,65	1,65	1,65	1,65	1,65	19,8
Interest from Loans (if applicable)	105	105	105	105	105	105	105	105	105	105	105	105	12,6
Breakage Replacement	10	10	10	10	10	10	10	10	10	10	10	10	1,2
Total Expenses	15,9	15,9	15,9	15,9	15,9	15,9	15,9	15,9	15,9	15,9	15,9	15,9	191,4
Net Profit	13,0	13,0	13,0	13,0	13,0	13,0	13,0	13,0	13,0	13,0	13,0	13,0	156,0

## Balance Sheet

As of June 30, 201

<b>Assets</b>	
<u>Current Assets</u>	
Cash in Bank	\$ 100,000
Inventory	\$ 8,000
Prepaid Expenses (Insurance)	\$ 8,600
<b>Total Current Assets</b>	<b>\$ 116,600</b>
<u>Fixed Assets</u>	
Machinery & Equipment	\$ 19,000
Furniture & Fixtures	\$ 21,000
Real Estate / Buildings	
<b>Total Fixed Assets</b>	<b>\$ 40,000</b>
<b>Total Assets</b>	<b>\$ 156,600</b>
<b>Liabilities &amp; Net Worth</b>	
<u>Current Liabilities</u>	
Accounts Payable	\$ 3,000
Taxes Payable	\$ 10,000
Notes Payable (due within 12 months)	\$ 1,000
<b>Total Current Liabilities</b>	<b>\$ 14,000</b>
<u>Long-Term Liabilities</u>	
Bank Loans Payable (greater than 12 months)	\$ 125,000
Less: Short-Term Portion	
<b>Total Long-Term Liabilities</b>	<b>\$ 125,000</b>
<b>Total Liabilities</b>	<b>\$ 139,000</b>
<b>Owners' Equity (Net Worth)</b>	<b>\$ 17,600</b>
<b>Total Liabilities &amp; Net Worth</b>	<b>\$ 156,600</b>