

Speed Grill Business Plan

Prepared as a Sample Business Plan by Franchise Direct

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Introduction

Executive Summary

Speed Grill is a franchise restaurant that specializes in providing its customers a fresher alternative to typical fried fast-food products with the convenience of fast-food with rapid response times.

Speed Grill is a brand of franchisor Neighborhood Restaurant Corporation (also referred to as NRC). Last year, sales topped \$8,000,000 for the rapidly growing company. The Speed Grill chain is positioned between traditional fast-food restaurants and sit-down restaurants. According to research data, customers within this market segment are more attuned to the health benefits of their eating habits, and are willing to pay more for a better fast-food choice when compared to the general population. Our goal is to be the top choice for that market segment in the Thistown Metro area.

The goal of this business plan is to help us obtain a \$200,000 loan to aid the construction, furnishing, and other costs associated with the opening of a restaurant. Collateral for the loan will be via real estate holdings.

Company Summary

NRC franchisesowns and operates quick-service restaurants. One of these restaurants is called "Speed Grill." NRC is taking the quick-service restaurant (QSR) segment by storm by producing a better product than its competitors at a moderately low price. Speed Grill's concept was born in the kitchen of the owner and president of Neighborhood Restaurant Corporation. The goal of the owner was to provide great food in a clean, urban environment, and at a reasonable price. The owner began selling sandwiches, soups, and other food items in 1997 as a sole proprietorship in Thattown, State. Financing was secured in December of 2003, and the company began franchising in early 2004. Speed Grill now boasts 56 restaurants in 15 states.

Mission Statement

The mission of Speed Grill is to provide people high-quality, healthy fast-food at a reasonable price. We pledge to provide seating areasthat are clean with a location where the ambiance is pleasing to the senses overall. Customers can be sure their food will be good and the service, friendly and fast.

Start-up Summary

The following table summarizes the level of funding needed to proceed with our business development plans. It outlines the start-up requirements as well as the assets the restaurant will require for start-up.

Start-up Requirements	
Start-up Expenses	
Business License	\$180
Refrigerator/Freezer	\$5,500
Building Improvements	\$35,000
Franchise Fee	\$45,000
3% Loan Origination Fee	\$7,800
Insurance	\$1,500
Research and Development	\$1,500
Total Start-up Expenses	\$96,480
Start-up Assets	
Cash Required	\$19,700
Start-up Inventory	\$15,800
Other Current Assets	\$4,000
Long-term Assets	\$205,000
Total Assets	\$244,500
Total Requirements	\$340,980

The highest initial expenditure is for the franchise fee. This is required to launch the franchise. After paying our franchise fee, our only liability to the franchise will be the 7% cost of sales (the royalty fee) and 2.2% advertising charge.

Cash requirements for start-up are \$19,700, and most of this will sit in a bank savings account for easy access. The first month our change in accounts payable will top \$61,000, so we need this \$19,700 in the event sales are not what we expected. If sales are off the projected target, this \$19,700 will help us gather enough cash to pay off our accounts payable within 30 days.

The principals will invest a combined \$30,000 to start-up the franchise. We expect that the majority of this will be paid back to the owners within two years of operations, in the form of dividends. This investment makes up over 8% of the total start-up requirements for the company.

The remainder consists of one \$65,000 short-term interest bearing, unsecured personal loan, one \$15,980 interest-free, 0% promotional loan, and a \$200,000 long-term loan guaranteed by the XYZ Bank loan program. The term of the expected loan is 10 years.

The loan that we are seeking will be secured via the pre-appraised market value of the land and property, as well as the improvements to be made on the property. The estimated net market value of the property following all improvements is approximately \$320,000.

Business Description

Products

Products for sale are determined by corporate headquarters. Speed Grill offers a large variety of sandwiches, salads, soups, chips, cookies, sodas, and more. Menu items are available for customization and made with NRC's proprietary condiments and trimmings. The majority of menu items including the bread, soups, salads, chili and cookies are made fresh daily on site. Our sandwiches, soups, etc. are all of the finest quality, and have been refined through taste-tests sponsored by NRC. NRC does welcome product suggestions from its franchisees, and if approved, may become part of the future product mix.

Location

The franchise agreement we have signed contains specifications for what the franchisor describes as a "Profile A" location. This type of site must contain a minimum of 6,000 customers within a four block radius (or five minute walk time). The pedestrian traffic also must be adequate and the lunch habits of the customers must be conducive to eating out.

In keeping with these specifications, our restaurant will be located between Main St. and Capital St. on Highway 11 in Thistown. The location is within a busy business district and is very close to Rose Park, a popular recreation area. South Valley University is also located within 15 miles of the company location. The exterior of the building will be decorated in consistent manner to the merchants along this path, and the interior will be decorated according to the franchisor's proven design.

Market Analysis

Thistown is the third largest city in the state with a population of 297,225. With an estimated growth rate of 3%, it is anticipated that Thistown will become the largest city in South River Valley before 2018. Speed Grill customers will come from all age and income levels of the market. However, within the general population we will focus on three distinct groups: young adults (including students and business people), families, and tourists. Rationale for these three market segments follow:

- **Young adults** have the potential of providing large volume sales to the company during the peak hours of 11 a.m. to 2 p.m. The lunch business is driven by individuals. Many go out to lunch to get off campus, out of the office setting, or have business meetings at lunch either in or out of the office.
- **Families** are a growing population, both numerically and in their choice for convenient foods. Two-income families have less time to prepare meals, while single and working parents tend to turn to fast and convenient food choices as well to accommodate family demands.
- Approximately 80,000 **tourists** visit Thistown annually for its premier recreational activities and the premium shopping in downtown Thistown. Our location near Rose Park will make us one of the closest restaurants for visitors to eat at.

There are a number of competitors in the area including on-campus sandwich shops, fast-food restaurants, and downtown eateries. Our closest direct competitor is Local Café. Local Café licenses franchises throughout the nation, and currently has 12,900 franchises. There are two Local Café shops and eight additional fast-food restaurants within a 10-mile radius of our location. Speed Grill offers a

distinct advantage over our competitors in not only the food, but in that none of these competitors offer delivery service. Additionally, NRC offers to its franchisees protected territory rights. Under this territory arrangement, no other NRC franchisee can open a Speed Grill within our territory.

Strategy and Implementation Summary

There will be an aggressive marketing launch with flyer distribution detailing our starter offers. The evening of our launch day will be a community event along with a clown, balloons, and the City Mayor in attendance as well as local media.

Our sales literature will consist of menus supplied by the Neighborhood Restaurant Corporation and custom flyers designed in-house. After the opening, regular flyer distribution will continue along with deals for special occasions such as Independence Day and Presidents Day. The custom flyers will offer catering prices, explain the difference between our lunch specials and those of our competitors, and show our hours of operation. We will place the catering and lunch service flyers strategically on and near the University campus, park events, with local businesses, and in County community centers.

The franchise agreement with NRC includes constant marketing support and training which will ensure the optimization of the franchisor's marketing campaigns. NRC's corporate office handles the promotion of its brands and products on the national level.

Management Summary

We are a Limited Liability Company, LLC, with two managing owners each holding an equal share (50%) and interest in the franchise. We have a combined 25 years of experience in the food service industry, including 15 years of delicatessen experience.

- **Courtney Smith**, General Managing Owner, owned and managed a deli downtown for 15 years. During this period, she turned the deli into a full-service convenience mart, added a dining area, and increased the menu offerings substantially prior to her exit from the company. Courtney sold the company to a husband/wife entrepreneur team, and has been living off personal investments and other short-term ventures for the last two years. Courtney has a BA in finance as well as an MBA.
- **Rachel Martin**, Vice Managing Owner/Sales, has a BA in Marketing, and worked for over 10 years as manager of the Firegrill Restaurant in Thistown. Firegrill restaurant is known for its friendly wait staff, diverse and award-winning menu, outdoor seating, and excellent service. She helped the owners find investors, and helped write the marketing and business expansion plan. She also managed the day-to-day operations of the business, trained and hired all wait staff, set the menu, and managed all advertising spending.

We will be supported by a small team of casual workers. As the company grows, staff will be taken on to fill positions as deemed necessary. Most of our employees will come from the university. They will be part-time students and will not need healthcare benefits or 401K benefits. This will hold our payroll burden to less than 8% of total payroll.

But, our employees will be paid more the average scale of employees at most other fast food restaurants, thereby making them more content workers, which should lead to a more satisfied customer base.

Personnel Plan					
	Year 1	Year 2	Year 3	Year 4	Year 5
Store Manager	\$44,400	\$47,064	\$49,888	\$52,881	\$56,054
Assistant Manager	\$32,400	\$34,344	\$36,405	\$38,589	\$40,904
Part-time Help	\$16,320	\$17,299	\$18,337	\$19,437	\$20,604
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Part-time Help	\$16,320	\$17,299	\$18,337	\$19,437	\$20,604
Part-time Help	\$16,320	\$17,299	\$18,337	\$19,437	\$20,604
Part-time Help	\$16,320	\$17,229	\$18,337	\$19,437	\$20,604
Total Payroll	\$158,400	\$167,834	\$177,978	\$188,657	\$199,977

As is customary in franchise operation, one of us as managers is required to attend NRC initial training to take place at corporate headquarters. The training will emphasize both classroom and on-the-job training on accounting and administrative procedures along with other subjects related to restaurant management. We will also be given, on loan, a confidential manual for the Speed Grill business, which contains the standards of operation, manager systems, training material, and recipes.

Financial Plan

Our financial plan is based on past experience, general knowledge of the industry, growth expectations for the QSR sector nationwide, and information provided by the franchisor.

Start-up Funding

A more detailed overview of the capital needed to open a Speed Grill.

Start-up Funding	
Start-up Expenses to Fund	\$96,480
Start-up Assets to Fund	\$244,500
Total Funding Required	\$340,980
Assets	
Non-cash Assets from Start-up	\$224,800
Cash Requirements from Start-up	\$19,700
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$19,700
Total Assets	\$244,500
Liabilities and Capital	
Liabilities	
Current Borrowing	\$65,000
Long-term Liabilities	\$200,000
Accounts Payable (Outstanding Bills)	\$30,000
Other Current Liabilities (Interest-free)	\$15,980
Total Liabilities	\$310,980
Capital	
Planned Investment	
Courtney Smith	\$15,000
Rachel Martin	\$15,000
Additional Investment Requirement	\$0
Total Planned Investment	\$30,000
Loss at Start-up (Start-up Expenses)	(\$96,480)
Total Capital	(\$66,480)
Total Capital and Liabilities	\$244,500
Total Funding	\$340,980

Projected Profit and Loss

The following table is the projected profit and loss for the franchise. Due to bulk buying by NRC, and their standardized franchise-based supply line, our purchasing costs will be 10% below similar costs incurred by a non-franchise restaurant.

To maintain a conservative financial perspective, we have not built this 10% discount into our cost of goods in the Profit and Loss Statement. We have calculated cost of goods as a flat 35% of sales, average for our industry.

Pro Forma Profit and Loss					
	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	\$1,401,048	\$1,541,154	\$1,695,269	\$1,864,796	\$2,051,276
Direct Cost of Sales	\$490,544	\$539,599	\$593,559	\$652,915	\$718,206
Franchisor Royalty (7%)	\$98,073	\$107,881	\$118,669	\$130,536	\$143,589
Total Cost of Sales	\$588,618	\$647,480	\$712,228	\$783,451	\$861,796
Gross Margin	\$812,430	\$893,674	\$983,041	\$1,081,346	\$1,189,480
Gross Margin %	57.99%	57.99%	57.99%	57.99%	57.99%
Expenses					
Payroll	\$158,400	\$167,834	\$177,978	\$188,657	\$199,977
Sales and Marketing and Other Expenses	\$69,714	\$75,960	\$82,634	\$89,791	\$97,479
Depreciation	\$4,548	\$4,548	\$4,548	\$4,548	\$4,548
Depreciation	\$60,000	\$63,000	\$66,000	\$69,000	\$72,000
Depreciation	\$7,200	\$7,920	\$8,712	\$9,583	\$10,542
Insurance	\$1,200	\$1,320	\$1,452	\$1,597	\$1,757
Cleaning Service	\$3,600	\$3,960	\$4,356	\$4,792	\$5,271
Cell Phone Service	\$4,200	\$4,620	\$5,082	\$5,590	\$6,149
Legal	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400
Payroll Taxes	\$12,672	\$13,427	\$14,238	\$15,093	\$15,998
Other	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$323,934	\$344,989	\$367,400	\$391,050	\$416,120
Profit Before Interest and Taxes	\$488,496	\$548,685	\$615,641	\$690,295	\$773,360
EBITDA*	\$493,044	\$553,233	\$620,189	\$694,843	\$777,908
Interest Expense	\$18,156	\$15,848	\$13,439	\$11,031	\$8,623
Taxes Incurred	\$174,138	\$200,347	\$222,614	\$255,403	\$282,698
Net Profit	\$296,203	\$332,491	\$379,588	\$423,861	\$482,039
Net Profit/Sales	21.14%	21.57%	22.39%	22.73%	23.50%

*Note: EBITDA stands for earnings before interest taxes depreciation amortization

Projected Balance Sheet

The following table is the projected balance sheet for the Speed Grill franchise.

Pro Forma Balance Sheet					
	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Current Assets					
Cash	\$54,426	\$34,651	\$89,562	\$89,683	\$47,611
Inventory	\$47,468	\$52,215	\$57,437	\$63,180	\$69,498
Other Current Assets	\$4,000	\$79,000	\$79,000	\$79,000	\$79,000
Total Current Assets	\$105,894	\$165,866	\$225,999	\$231,864	\$196,109
Long-term Assets					
Long-term Assets	\$240,000	\$490,000	\$490,000	\$490,000	\$490,000
Accumulated Depreciation	\$4,548	\$9,096	\$13,644	\$18,192	\$22,740
Total Long-term Assets	\$235,452	\$480,904	\$476,356	\$471,808	\$467,260
Total Assets	\$341,346	\$646,770	\$702,355	\$703,672	\$663,369
Liabilities and Capital					
	Year 1	Year 2	Year 3	Year 4	Year 5
Current Liabilities					
Accounts Payable	\$80,627	\$85,564	\$93,565	\$103,025	\$112,687
Current Borrowing	\$53,000	\$41,000	\$29,000	\$17,000	\$5,000
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0
Subtotal Current Liabilities	\$133,627	\$126,564	\$122,565	\$120,025	\$117,687
Long-term Liabilities	\$179,996	\$159,992	\$139,988	\$119,984	\$99,980
Total Liabilities	\$313,623	\$286,556	\$262,553	\$240,009	\$217,667
Paid-in Capital	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Retained Earnings	(\$298,480)	(\$2,277)	\$30,214	\$9,801	(\$66,338)
Earnings	\$296,203	\$332,491	\$379,588	\$423,861	\$482,039
Total Capital	\$27,723	\$360,214	\$439,801	\$463,662	\$445,702
Total Liabilities and Capital	\$341,346	\$646,770	\$702,355	\$703,672	\$663,369
Net Worth	\$27,723	\$360,214	\$439,801	\$463,662	\$445,702