Doughnut/Coffee Shop Business Plan

YOUDONUTS

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II. Executive Summary

You Donuts & Coffee will be the newest donut house in Toledo, Oregon. We will cater mainly to high school and college students, and 23-55 year olds with a median income of about $50,000. Our location, as we will see is on a major access road with a traffic count of approximately 15,000 plus vehicles passing by daily. We will be located within 1 mile of the entrance ramp to major highway I-X0. We shall have approximately 1500sf.

Our menu of specialty and gourmet doughnuts, coffee, espresso and espresso based beverages, will make us a destination for not only donut and coffee enthusiasts but also the everyday ‘Joe’.

We are planning a soft opening in October 2015. This will give us time to work out any bugs and fine tune our operations before the cold weather comes, and before our grand opening. It will also give us time to build up our clientele, effectively market and start our brand awareness before we begin our busy time of year.

The donut/coffee industry does not show signs of slowing down as a whole. Even in economic times of hardship and war, Americans have embraced donuts and specialty coffee as an affordable luxury. This industry sees very little decline in sales.

You Donuts will be owned solely by Youdonuts .

III. General Company Description

Financials

The company anticipates fast acceptance of Youdonuts in Toledo. This will be due mainly to its highly visible and accessible location, products and customer service, with expected revenues of $75,000+ in the first full year (2015), rising to more than $100,000+ in 2016. Net profit is projected to be approximately $5,000 in 2015 and growing to an estimated $7500 by 2016. Our calculatio

Espresso-based beverages are part of everyday life for a growing number of people. Starbucks has paved the way for $5 coffee. But] š [• u } Œ s šZ v : lattes, mochas, frappes; They have become American culture. Sales have grown every year in this business. All of the cookie-cutter coffee chains are thriving. Though Starbucks has scaled back their openings, they still continue to open 2-3 new locations around the world every day. With more than 7000 stores currently, they keep opening more Starbucks. In fact, the company became so obsessed with market share that they opened too many stores. They moved away from the basics of coffee and espresso and they had to start closing stores! In 2008, Starbucks closed } À Œ ò ì ì h X ^ X • š } Œ • (} Œ Z µ v Œ ‰ Œ (} Œ 2009, 300 more followed. This Á • Z Œ } Œ P v] Ì š] } v [} (• } Œ š • X

There is also a huge increase in the independent coffee house. The problem is that the major chains (and some independents) serve average quality drinks in their cookie cutter atmosphere. Since Americans' coffee palates have been spoiled, the age of corporate takeovers and the almighty quest for corporations to gain more American dollars, more and more Americans are seeking out independents and supporting local, keeping their money local. The specialty retail coffee business as we know it today began in 1982 after Howard Schultz purchased the original three Starbucks stores and began the expansion of the modern Starbucks chain. Prior to his transformation of the business, Starbucks sold mainly drip and whole bean coffee. We have talked to people that had been to the original store in Pike Place Market in Seattle and no one can remember seeing an espresso machine.

Coffeehouses in America have existed since the 1600's, and the coffeehouse concept is more than 400 years old. In the United States, even as recently as the 1970's, coffeehouses have been primarily independent businesses, typically with an eclectic Bohemian style. That is the flavor and concept for the new Youdonuts Starbucks' success has encouraged others to enter this potentially lucrative business. D } v o [• U µ Œ P Œ <] v P U t v Ç [• v • À t f Œ o h } š Z v Œ all switched the bad coffee to gourmet specialty coffee, with McDo v o [• u l] v P Z µ P by adding the] š] } v McCafe espresso-based café add-on to some stores. This is far from specialty coffee. The espresso drinks are at best, mediocre. Today there are more than 15,000 independent coffeehouses in the U.S. However, compared with Italy which has 200,000 espresso bars and coffeehouses, there is still much room for growth. The Specialty Coffee Retailers Association believes the market has not approached maturity and, as yet, no coffee chain has differentiated itself significantly from the others. While overall coffee sales have not grown significantly in recent years, the specialty

coffeehouse segment is growing steadily at a healthy pace every year. The high quality, cost of coffee drinks, relatively modest investment capital requirements, low overhead, excellent location and great experience in this industry lead to high profit margins in the coffeehouse industry. Youdonuts will associate specialty coffee drinks with specialty donuts creating a unique culinary experience.

Company Summary

Youdonuts will offer patrons unique flavorful donuts and coffee drinks and a comfortable, home-like environment at which to socialize, relax or work.

{ s Œ] š Ç W donut shop in the area will provide the unique range or

consistency (of taste) of donuts and coffee drinks and other menu items we offer.

{ > } š] } u W Youdonuts will be located in a prime section of Toledo. If

we expand, each location will be designed for volume year round, with revenues

and profits to match.

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independent chain of Youdonuts located in markets that have

significant traffic by the store, sizable student and 25-55 year old population

(prime specialty donut and coffee customers), and the remaining similar demographic

profile such as a median average household income of $40,000 per year.

The Youdonuts Concept

Youdonuts offers a superior donut line and coffee products, made-to-order.

You donuts staff members who serve gourmet donuts and prepare the coffee drinks (baristas) will be highly trained, motivated, friendly and outgoing people. They will know how to prepare an excellent espresso-based drink, the lifeblood of specialty coffee, in return complementing gourmet donuts found at Youdonuts.

Our design style is different from most coffee ch] v • X t Z À š Z ^ } ((Z } µ • _ atmosphere, a depression era style where nothing is a streamlined look. It features eclectic furniture and decorations, local artisan-made art works throughout and a í õ î ì [• í õ ó ì [• • š Ç o research X is that when people feel they are at home, they are comfortable and are more likely to come back with more customers. Then the cycle repeats. This type of design will help keep start-up costs down.

Company Ownership

YOUDONUTS L.L.C is the legal name of the business entity. It is a privately held limited liability corporation with Youdonuts as the dba (doing business as). Any subsequent location will be part of the same entity, and bear the Youdonuts name as a dba as well. YOUDONUTS is the sole member of this limited liability company.

IV. Products and Services

You donuts sells high-quality gourmet donuts and specialty coffee beverages, homemade-daily. Despite being a casual donuthouse, our prices are slightly higher than leading national chains because quality should come with a premium price.

Vendors

{Scratch donut making will be performed on premises by a experienced donut maker.

{ } ((Œ }wills] vPerformed on premises with our own flame-drum roaster.

{ ' Z] Œ Œ o o] (o À } Œ es is •puµ•v lo]Æ distributors.

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York.

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{ / v P Œ] doš•uts, (]aŒ•, general supplies and condiments and deli supplies

are purchased from Sysco and Oregon Farmers.

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Menu

The Youdonuts menu sets us apart from other coffeehouses, giving us a

competitive edge.

{ t } ((six Œ groups of drinks - coffee, tea, Italian sodas, smoothies, ice cream

shakes and cocoa - with several choices within each group.

{ t Œ š Zdon]v o Ç se to have a nice selection of homemade ice creams.

{ t o • } }((Œ • À Œ o ~ ò µ inks and v ve 1 Ç • v u } f š Z] an Œ

sodas.

Prices have been determined after a thorough analysis of all food costs for every item in each drink. Prices are in line or above for a quality beverage, after all get what you pay for.

Youdonuts will have events to attract customers in the evenings and on weekends. Some examples of our events are open mike nights for any form of expression including music. We will also have trivia night, donut and coffee tasting (cupping), coffee roasting lessons, kids nights, and local and touring singer-songwriters and bands just to name a few.

Local Artisans

We will have crafts, jewelry, paintings, metal works, sculptures, photographs and other artworks on display and consignment from local artisans. Every sale will earn us a minimum of 20% commission. This not only serves as a revenue stream but also for display purposes, especially for wall artworks and sculptures. We will decorate our walls and store with local artisan creations. Each one will be hand-picked by us for its uniqueness, quality and overall character.

V. Marketing Plan

Market Research

Lifestyle factors converge to make the donut and coffee industry strong at all times. The awakening effect of donuts and coffee is an important reason why many Americans consider a stop at their local donut house a necessary part of their day. In addition, donuthouses provide a calm and inviting environment for people to socialize, relax or catch up on work.

Our competitive edge, compared to the other donuthouses in the greater Toledo

area includes the following:

{Traditional, gourmet and specialty donut lines.

{ •] P v] ( ] v š o Ç Z] P Z Œ ‹ µ o] š Ç U š š Œ š • š] v P } ((‰ Œ }

{ v u] v] ((Œ v š š Z donuts and coffee houses in the area.

{ Á] Œ À Œ] š Ç } (‰ } ‰ competitors, including flavored lattes

and mochas, tea, chai, cocoa, milk shakes, smoothies, and Italian sodas. We

have several drink options for people who don't drink coffee: tea, cocoa, shakes

and smoothies.

{ K µ Œ / v š Œ v š Á •] š of donuts and whole coffee beans.

{ t Œ } • š } µ Œ } Á- ø r e m i s e (s , f r e s h) each week

{ t u l donut items fresh, from scratch every day

Marketing

The major corporate giants such as Dunkin Donuts and ^ š Œ µ Coffee do little or no marketing and advertising. They have prime locations, excellent signage and a brand image that allows them to not advertise and still flourish. Most independent

donut and coffeehouses do not advertise either however the reasoning for this is because the cost is often prohibitive if you want to make a profit. Since the average ticket sale in this industry is approximately $3.00, there are a lot of lattes to be sold to make up the cost of mailing 30,000 or even 5,000 direct mail pieces. Advertising coupons in mailers and in the local press cheapens the specialty coffee image. Putting flyers or door hangers door to door is most often time-prohibitive. Normally, w Z v ^ š Œ µ l [• for Œ š] • • U] the launch of new products, normally at the onset of a new season. That is why having an A+ location with excellent signage, community involvement and superior products are all of the utmost importance.

An element of our differentiation from other donut house chains will be our use of advertising and marketing to gain awareness, build customer traffic and establish a strong brand image. We intend to create immediate customer awareness mainly by having the location we have in the area it is in, excellent signage, word-of-mouth, excellent customer service, world class espresso, and great drink consistency. Marketing will promote awareness, build immediate traffic and establish our brand image via several methods:

{ W µ o] Œ o š] } v • l ‰ µ o]] š Ç W ^ š Ç] v P] v (Œ } v š } (š Z ‰ µ o involvement. Sponsoring local charities by being a drop point for food donations and similar, sponsoring a soft ball team, hosting fundraisers are all examples of positive community involvement with marketing. Writing and submitting a press release to local media when something of great significance happens at our shop. Media loves charity events and a press release to the right person almost always guarantees publicity for us.

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{ ' } } P o t } Œ • v ter š Z Œ] ng, focused on out local area only by zip code.

{ ^ K ~ • Œ Z v P] v } ‰ š] u] Ì š] } u • (t Œ] o Œ Á •] š ch Á] o engines utilizing catch keywords, or buzz words that define who we are and what we do. This in turn will drive business to our physical location.

{ -shirts and ball caps: these can get pricey to have made and have sit in inventory, but in the end it costs next to nothing because on average, a custom printed t-shirt costs about $13.00, even with a low quantity printed. We will sell it for about $15.00. Though we

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we have a walking billboard. Same goes for a ball cap.

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bean coffee bags for brand awareness

{ } u u µ v] š Ç] v À } o À u v š W h a m b e r o f } o m m e r c e m e e t i n g s a n d e v e n t s ,
P v Œ o µ •] v • • v š Á } Œ l] v P µ P Œ •] µ ‰ Ç • ‰ U s t i n g a r e a Z Ç • }
businesses, supplying coffee whenever possible for events are just a few things that make
people remember our name.

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us.

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they feel like they are at home, they will want to come back. Invitingness makes a lot of
sense!

{ ^ µ ‰ Œ] } Œ W Œ } µ š • W µ • š } u Œ • Á] o o v } š } u } µ š Z [l] (Œ P] À
your products are awful.

{ W Œ } µ š } v •] • š v n ç e W t o k n o v š h a t they can come to barista #1, 2, 3, 4
or the owner for the same quality of drink at our establishment, knowing] š [• P }] v P š }
the same. Being a small operation, that is where we differ from the big corporate giant,
aka Starbucks.

{ ustomer service: This goes without saying. Customers want to be treated like gold.
There is fine line between good service and spoiling, and we cannot cross it because
‰ } ‰ o P š µ • š Y o u (Œ t s [o Á v Ç • ^ } • š Z] • _ C o n s i s t e n c y G o e s • š X
here too. That is what keeps them coming back!

Frequent Buyer Cards

Frequency cards rewarding the repeat customer with a free drink after a specified number of visits are popular and proven methods to forge customer loyalty. We have tested this method and it definitely brings customers back, and they appreciate it. We will offer a complimentary beverage of their choice after every 11 purchased. These Z ‰ µ v Z [Œ •
will be kept behind our counter in a recipe-style flip top box so customers will not fear losing them.

Gift Certificates

We will offer pre-printed gift certificates in $5 denominations. This is a more cost effective method than gift cards which can get costly. Most gift card manufacturers charge a swipe fee every time the card is swiped and is similar to a standard credit card fee. A gift certificate offers the same prepaid advantage in a lower cost method.

Pre Paid Accounts

We will allow anyone that consistently buys the same product via credit card to prepay up to ten of the same item for one credit card charge. This will keep the credit card fees down to one 25 cents swipe fee, rather than ten. We will keep track of the items purchased by way of a punch card with the information written on the back.

Sales Strategy

Our sales strategy includes:

{Hiring for attitude so that we always have a friendly, enthusiastic staff to make customers feel welcome and appreciated; constant staff training to assure the best quality and consistency possible

{ W } • •] o on of drive-up window within 6 months if one is not included at start-up

{ ^ o o Á Z } o v store } ( ] v on our website. These shall be displayed within view of every customer when they come in our store, are at our counter and are on the way out.

- { Display and sell creations from local artisans
- { Establish donut service to local businesses
- { Establish coffee service to local businesses

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{ Œ š v u] v š] v (Œ ‹ µ v š µ Ç Œ [• ‰ µ v Z Œ ‰ Œ } P Œ

{ } v µ š } v aggressive marketing program

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other business grand openings

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Sales Forecast

Conservatively, we are forecasting an average of 60-70 customers per day during the first year with an average ticket price of $3.00. This figure was arrived at from the automobile traffic counts as provided by the Ohio Department of Transportation (ODOT), and foot traffic from the overall population in the area. We have taken a conservative capture rate of .5 %. Without that customer base, our bread and butter will be non-existent. Total cost of sales is approximately 25%.

We expect growth to occur across all categories at about 2-7% monthly and 25% annually as the business becomes more established and well-known, reaching 85+

customers per day within a year and more than 150+ within three years. These estimates are likely conservative. However, it is possible we could attain a 200+ perday customer count within three years.

In-store Wi-Fi

An appealing customer feature at Youdonutswill be our free Wi-Fi. While this service will remain free, customers will have to purchase something from us to get an access code for its use, generating revenue in-house. It has been research that customers will patronize us to use it. We will install a program at the access point that allows for the free service, but each customer must log in, register and the system will record their set address for security purposes. Each access code only gives each customer a specified amount of time to use the service, for example 90 minutes. At the time it expires, they must then order something else from us to get another access code, increasing revenues again. We have found that this research tends to keep out the Z • ‹ µ š Œ • [X • Á o o U Œ P] • š Œ] v P free Wi-Fi service will deter inappropriate use of the internet in our establishment.

Development Requirements

You donuts plans to use its own software and in-house talent to create our internet site.

The maintenance of the site will be done by Youdonuts . The website will also include items such as tracking, newsletters, down-loadable menus, a coffee "chat" room, blog and user Web pages.

VI. Operations

Daily Operations

We will be open Monday-Friday from 5a-9p, Saturday 7a-9p and closed Sunday. Our

entire menu will be available from open to close. All donut making, coffee roasting shall be done in house. This will ensure optimum freshness, and give us an edge over any competitor that brings these items in from an outside source.

Each new hire will be trained until we feel they are ready to make our specialty gourmet beverages. We will not settle for anything less than perfection. Each employee will be spot checked for proper barista techniques, and remedial testing every 6 months. Inventory will be ordered by management only, unless otherwise noted later. It will be tracked by our computer control log weekly. We do not have a POS system so our tracking is done with a manual spreadsheet system.

Equipment

We will purchase all new equipment. What follows is a list of our main equipment:

Donut Equipment

{Donut Fryer

{Proof box

{Donut glazer

{Bakers Bench (Cedar)

{Preparation tables

Coffee Equipment

{ d Œ Refrigerator 1/2 sized/under counter

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{] o Á Œ Panini Grill

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o Chairs

o Stools

o Table Tops

o Pedestal Base

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{ d Œ µ & } }] • ‰ Floor (Refrigerated)

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{ t š Œ •}(š v Œ

{ u Æ ñl]o} }((Œ} •š Œ

Products

We will use the following manufacturers/products for our menu. These are included but

not limited to the only items:

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Location

Our first site in Toledo along a busy road will become our flagship store. We will quite possibly establish You donut in the best locations possible, as this is the key element in a successful operation.

Site selection criteria include:

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{ D] š} o ŒP •]Ì u] v55 yPears uldŒl š íô

{ Àrage income of approximately $50,000 per household

{ z -rœEnd traffic, both VPD and foot

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{]o]šÇ š} Z-storÀe coffee]vaster

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{ t]šZ]v í u]o or}f(eeway entrance

Other sites that meet these criteria are always being watched.

BaristaPersonnel

Although we do not have a hired staff yet, we want to emphasize that we strive to keep our payroll at or under 30% of total sales. This will be derived from careful planning on u v P u vš[• ‰ Œš š} v•µŒ amÁ profit]vargin] This will be achieved by keeping the working hours (shifts) consistent. As an example, one person on per shift will be the norm. No overlapping of shifts, and we will not have more than one employee on at any given time unless the customer traffic dictates so. A member of management shall be on 1st and 2nd shifts for assistance, and for some nonproductive hours if needed.

As a further example, in a 7 day work week we will split the total payroll 18% management and 12% remaining staff. If we have $1000.00 in sales per day, then we shall budget $840.00 per week for payroll including all payroll taxes. The total hours will be based on an open for business schedule of 6a-9p M-F, 7a-9p Saturday and Sunday. That effectively gives us 106 hours to fill per week, including pre and post (prep and clean up) hours of 30 minutes.

We shall hire a total of four part time employees. Each employee shall be hired on a combination of, but not limited to personality and customer service experience. We are not looking for experienced baristas, as most have a way of performing certain functions and duties that we at Youdonuts m Ç v}š }‰ Œ š µv easŒ Xto šin•anu µ Z employee to do things the way you o ‰ Œ š Ç}µŒ •š}Œ Each/ old dogZ Œ š} tricks!

Each barista employee (Baker excluded) shall be paid at least minimum wage per hour. We want to pay a decent wage to get good help and retain them. Each employee shall also be allowed to earn tips. As long as there is only one employee on shift, they will not be required to split or pool their tips. We shall keep track of them for tax purposes.

Each employee shall also possess all required state and local health certifications in order to work at Monkey Man Coffee. Youdonuts shall be the first one in the store weekdays and Saturdays to prepare bakeries for the day. That shift shall begin at 5a Monday-Friday and 6a on Saturdays.

t Á] o o ‰ ‰ }] v š š Z } ‰ v k E }v ^ ıv C [š} There will be one member of management on shift during the heavy traffic periods of 7a-4p Monday-Saturday to assist the staff. One note to mention is that prep in the mornings for all other staff shall begin thirty minutes prior to opening and clean up shall begin one hour prior to closing, and shall continue until 30 minutes after closing. All staff members other than management shall be part time employees. We will have four shifts per day Monday through Saturday, and two shifts on Sunday. By doing it this way, we will be able to keep the payroll at or below 30% of sales. See schedule for details.

Baker

We shall hire 1 experienced donut maker to be employed full time, 5 days per week. The baker will be personally trained by Youdonuts to ensure quality consistency.

Youdonut will implement donut wholesale to raise additional revenue and allocate funds in order to pay head baker. Donut wholesale will consist of 12 daily contractual accounts to convenient stores, hotels, motels, gas stations. Each contractual account consists of 3 dozen donuts daily @ $16.50 x 12= $198.50. Utilizing interchangeable plexiglas display cases, donut wholesale accounts are readily available.

Donut Inventory

We will receive a weekly delivery of flour, eggs, milk necessary for donut making readily available through Sysco foods. Other items may, from time to time be bought directly from local approved farmers. All industry specific supplies such as powder chai mixes, flavor syrups and similar will be purchased from and delivered by Waterfall Beverages. All supplies will be paid for with cash or check at time of purchase or delivery.

CoffeeInventory

We will keep approximately 6 months of raw green coffee in inventory for roasting. Green coffee is good for up to one year if stored properly and in climate controlled conditions. We will also have enough of our other materials such as drink mixes and syrups on hand to operate for approximately 2 weeks, with the exception of spoilable inventory such as food and dairy products. Those products will be purchased weekly, or as production demands. The other supplies to be kept on hand will be nonperishable baking supplies. We will have most of our materials delivered to our store by our local restaurant and paper supplier for ease, convenience and time management.

VII. Management and Organization

The expansion of the Youdonuts concept will be managed by Youdonuts and team, with assistance from some inside and outside support team.

abcxyzYOU has more than 20 years experience in sales, customer service and business management with special focus in start-up and entrepreneurship. abcxyzYOU will be responsible for day to day management of the business as well as website development, build out construction supervision, equipment ordering, menu development, training, marketing/PR, website design/development, accounting supervision and city issues. Youdonuts abcxyzYOU will also be a working owner, with hands-on donut making, roast master and as a barista.

abcxyzPartner founded (??) Doughnut World House in San Francisco, OR in 2004 where he gained his donut/coffee shop industry experience. Hands on, abcxyzYOU has been responsible for all aspects of the doughnut world house.

Youdonuts team also has a good working knowledge of real estate, leases and lease negotiations, business acquisitions, distressed restaurant and coffee shop turnaround, rehabbing distressed and dilapidated properties, business start-ups and of course, the coffee business.

LesterChastain, Sr.(SAMPLE)

Lester Chastain, Sr. has extensive customer service experience and will be responsible for continuing menu development, hands-on donut making preparation.

IX. Startup Expenses and Capitalization

Start-up expenses are not in line with those of other donut house chains. For example, Dunkin Donuts spends approximately $350,000 on average to build-out a existing store location, from location to equipment. Most independent shops that seemingly model a Dunkin Donuts-like interior can cost upwards of $250,000. Our costs are estimated but we have budgeted $110,000, including but not limited to $5,000 for opening inventory, wares and other consumables, $46,000 for donut equipment purchases including $6,000 for a roaster, $5000 for espresso machine, $2000 for fees and misc, $20,000 for signage, remodel and design, $6000 for initial rent deposit, advertising and promotions, and $25,000 for operating capital. Future stores should cost about the same with the exception of the roaster purchase, as we will roast at only one store. We will purchase all new equipment to avoid potential early breakdowns. We will purchase used equipment for donut making preparation because the machinery is very robust and not prone to breaking down.

We could easily spend $30,000 to build out an interior, but we will have an already existing building with electric, plumbing, bathroom and air conditioning/heating. It will be just a matter of add-ons. Hiring a contractor would be about 30% of that build out cost. We will also have the landlord cover a lot of the costs to remodel in exchange for a longer

lease term. Since we have extensive construction and remodel experience, we are saving money there as well. At worst, we will have to pay for a licensed plumber and electrician for some custom ad-on work. Our furniture will come from Goodwill and other resale shops to further our eclectic look and feel, and keep the costs down. And lastly, since this is not a franchise, we do not have a franchise fee to pay. Those fees can be as much as $50,000 or more with relatively little or nothing up front in return.

The $46,000 in equipment shall be divided by three business equipment leases. One with Wachovia Bank, one with First Merit and the third with Capital Partners. These amounts total $110,000, the total budget we are allotting for opening costs. Additionally, we have secured two lines of credit, one with National City Bank and the other with Charter One Bank. Each line of credit is for $50,000 and will be kept for reserves and emergency situations. Each line has two owners that have personally guaranteed them, and are listed on the account.

X. Financial Plan

{ ^ o • PŒ}Á š Z Á]o o u]v]u µ u }(í years and a margin of 10-15%. Thereafter, sales growth will be 3-7% annually with the same 10-15% margin.

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{ }•š }(P}} • •}o ~ K '^• Á]v 30%, with emphasis closer to 25%

{ &]Æ }•š•]v t shall be at or below 30%. (Rent shall be 6-10% of gross sales)

{ dZ }u ‰ v Ç Á]o o]v À •š Œ •] µ o ‰ Œ}(]š•]v š}(/µ š µ Œ o} real estate.

Important Assumptions

{ dZ ^ ‰ Do]u Association says that the market is far from saturation and

will not reach maturity until at least 2019.

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events. Despite recession and war the coffeehouse industry has shown strong

growth every year for the past two decades.

{ dZ donut industry is almost immune to negative national and world

events. Despite recession and war the donuthouse industry has shown strong

growth every year for the past four decades.

{ dZ ‹µ o]šÇ }(v š]}v o Z]v•e Áigdo rather than improve as they standardize their stores, increase automation of espresso drinks and mass-produce the roasting process.

{Donut and coffee drinks will continue to be considered an "affordable luxury."

{ íì9 u]v]uµu • o • Powerful next three years as Youdonuts becomes well known.

Our projected sales are a starting point. We are anticipating approximately $1000 per day in sales because of our excellent location and signage. This shall translate into approximately $30,000 per month and $360,000 per year within two years. In theory, we are projecting 30% or lower COGS (cost of goods sold), 30% or lower in payroll and 30% or lower in fixed costs including rent. As a side note, to be profitable, rent should be a maximum of 10% of our yearly gross sales. In speci ( ] U Á [o] l -6% of sales. Our net profit at year end will be 10-15% of sales. These figures will fluctuate from month to month. Some months will have higher COGS and some months will be lower. It will average out at year end.

Our research has dictated that we will undoubtedly not meet our sales goals in the beginning. We shall have working capital sufficient enough to help us through the first year at minimum, until our sales figures are above our expenses. See cash flow statement.

The other costs are as follows:

Advertising is kept to a minimum, mainly because of our premium location and very visible signage. Dues/Subscriptions are things like chamber of commerce dues, SCAA dues, etc. Phone, we have one line for voice and one for a fax. Electric will be approximately $1000 per month due to our half sized commercial kitchen, namely double stack convection oven and commercial refrigerator. The oven is 220v, and we will use triple phase to keep the cost down. Most full commercial kitchens can cost upwards of $3000 per month to run. However, we are not operating a restaurant so we have no need for a lot of the equipment a restaurant has.

Rent is approximately 10% of sales right now. That will decrease as our sales increase. Property insurance is $200 per month and covers damage to the property, as well as customer accidents such as falling down.

Our sewer and trash costs are not covered in the common area maintenance charges (CAM) from the landlord because we have our own sewer and water meter and trash bin out back of the store.

Licenses and permits are such as health department permit, business license etc.

We have an internet LAN for the store and wireless access for customers, as well as hosting for our website. Equipment lease is a series of leases/loans to acquire our equipment but is grouped into one line on the income projection. This is what all of our

equipment costs us monthly. Debt service are multiple payments to pay off other loans needed for build out, working capital and other miscellaneous things needed to open for business, including recoupment of our initial investment. Bank charges are what the bank charges us to bank with them. Equipment repair is rare for new equipment but sometimes µ v À }] o in X our / [n just in case.

We are very excited to be opening a donut house in Toledo. Our experience gives us a definite edge to succeed from the onset and our ambition, drive and passion for the specialty donut and coffee industry give us the fuel to take it to the highest peak of success.

XI. Appendices

(You should include details and studies that you have used in your business plan. Take these, for example:

- *Additional industry and market studies*
- *List of assets available as collateral for a loan*
- *Maps and photos of location*
- *Copies of leases and contracts*
- *Blueprints and plans*
- *Any other support materials needed*
- *Brochures and any advertising materials*
- *Consultants*