

# ORGANIC RESTAURANT BUSINESS PLAN

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By  
Jesse Adam Godsey

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## APPROVAL PAGE

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AUTHOR: Jesse Godsey

DATE SUBMITTED: June 2010

Dr. Carol Sexton  
Senior Project Advisor

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Signature

## ABSTRACT

This study was undertaken to determine if it is feasible to open an organic restaurant in San Luis Obispo, CA.

All collected data went into the development of a bare bones business plan for the organic restaurant. The report utilizes two techniques for analysis of this data. A strategic analysis was used to determine if the restaurant could be a legitimate competitor among the many local restaurants of San Luis Obispo. Strengths, weaknesses, opportunities, and threats were outlined, given weights according to their impact, and used to develop a SWOT matrix. Strategic goals were set after reviewing the matrix and a QSPM, quantitative strategic planning matrix, was created to determine which goal was worth pursuing. The final step in determining if the organic restaurant could compete in San Luis Obispo was to perform a competitive analysis against what were determined to be the top local competitors. Following the strategic analysis, a financial analysis was executed to determine whether the operation offered a profitable investment. This included an examination of startup costs and funding, as well as the creation of an income statement, statement of cash flows, and a balance sheet that were based off of a thirty-six month sales forecast. These financial forms made it possible to perform a break even analysis that had the final say as to whether or not the restaurant could be a profitable investment.

The organic restaurant failed to break even after three years of business operations. While the strategic analysis indicated the organic restaurant could not only compete, but overcome the competition, the financial analysis indicated that opening this restaurant would be unfeasible. If the methodology were altered to include more in depth financial planning and analysis this decision could be reversed.

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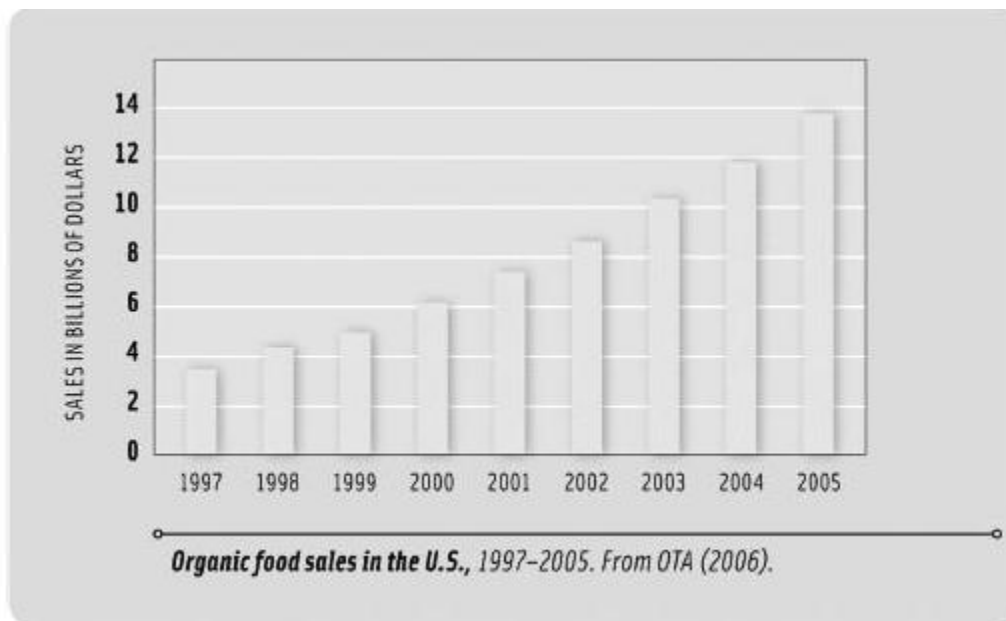
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## Chapter 1

### INTRODUCTION

The organic food industry has experienced tremendous growth in the past two decades. Since 1990, sales of organic food have increased by nearly 20% annually. “This rapid growth may be traced to increased consumer confidence in organic foods as well as to concern about possible health risks and environmental impacts of conventional food production methods.” (Davis 2006: 1)

Figure 1-1: Organic food sales in the U.S. (Davis 2006)



According to the Organic Trade Association, organic and natural foods combined represent a \$20 billion business. Restaurants that embrace these better quality, organic ingredients benefit by gaining the support of consumers concerned with eating well and preserving the environment.

The word “organic” is most often associated with fruits and vegetables, not with chicken, beef, and other protein sources. However, higher-quality meat is currently preferred by consumers. Animals raised organically are free of antibiotics, added hormones, genetically modified (GMO) feed, and other drugs (Davis 2006). Top restaurant chains such as Chipotle, Panera, and Arby’s are already making the transition to these ingredients, and are seeing increased sales as a result, despite higher prices. “The demand for natural and organic foods is a well-documented, chef- and consumer-driven trend that is nestling into a growing number of independent restaurants, college campuses and grocery stores” (Leahy 2006). The success of an independent organic restaurant is entirely possible.

### Problem Statement

Is it feasible to open a new organic restaurant in San Luis Obispo that can be profitable?

### Hypothesis

An independent organic restaurant in San Luis Obispo can generate constant profit by the third year of operations.

### Objectives

1. Create a business plan for a new organic restaurant in San Luis Obispo
2. Conduct a SWOT analysis
3. Conduct a financial analysis of the first three years of business operations

### Significance of the study/Justification

Currently, there are no fully organic restaurants in San Luis Obispo, California. This project will show if it is feasible to open one capable of earning a profit. Due to the increasing popularity of organic food, evident in the market statistics provided by the Organic Trade Association, an independent organic restaurant has potential to be successful. This hypothesis will be carefully investigated by creating a business plan and performing a profitability study.



## Chapter 2

### **LITERATURE REVIEW**

#### Organic Food

Organic foods are made according to certain production standards. For the vast majority of human history, agriculture can be described as organic; only during the 20th century was a large supply of new synthetic chemicals introduced to the food supply. The USDA, United States Department of Agriculture, defines organic foods as products grown without the use of pesticides, synthetic fertilizers, sewage sludge, or genetically modified organisms (Dahm 2009). The market for organic foods continues to grow, and is driven by a number of factors. The establishment of a USDA standard has increased consumer acceptance and there is also an increasing interest in healthy foods (Knudson 2007).

The market for organic foods is growing dramatically. It is estimated that organic sales of food products through supermarkets, mass merchandisers, and natural supermarkets was \$3.6 billion in 2006 in the U.S., double the figure in 2000. The OTA, Organic Trade Association, estimates that the total global organic food and beverage sales were \$13.8 billion in 2006. From 2004 through 2006, sales of organic food increased by 38.4 percent. Furthermore, it is estimated that sales of organic foods will increase by 71 percent from 2006 through 2011. Clearly, organic food has become mainstream (Knudson 2007).

The primary demand driver for the increased consumption of organic food is health concerns. Consumers are increasingly interested in foods that are free of pesticides, and other health risks (Knudson 2007).

Surveys indicate that many consumers purchase organic foods because of the perceived health and nutrition benefits of organic products. In one survey, the main reasons consumers purchased organic foods were for the avoidance of pesticides (70%), for freshness (68%), for health and nutrition (67%), and to avoid genetically modified foods (55%). Such consumers appear to be willing to pay the typical 10% to 40% price premium that organic products command (Davis 2006: 7).

Eating organic comes at a price, these foods can cost more than twice as much, but the increase in sales makes it worth it.

Table 2-1: Organic food prices (Kuchment 2008)

<b>Produce</b>	<b>Non-organic</b>	<b>Organic</b>
Apples, Red Delicious (lb)	1.49	1.99
Bread, store-brand loaf	1.39	3.49
Carrots (lb)	0.99	1.49
Celery hearts (lb)	2.99	3.99
Corn, branded can	1.29	1.49
Eggs, large (doz.)	1.89	3.99
Milk, 2% (half gallon)	2.79	4.39

There are many benefits to eating organic: higher nutrient levels, lower pesticide residues, and the absence of food additives, such as artificial sweeteners, colorings and flavorings, MSG, and hydrogenated fat. When compared to conventional food, organic has more dry matter on a pound-for-pound basis, providing higher nutrient levels. Research by nutritionist Virginia Worthington has shown that the differences in organic foods can be enough to help individuals achieve the recommended daily allowance for certain nutrients that they otherwise may not get (Heaton 2009). Higher quality protein and increased concentrations of antioxidants

and other phytonutrients have been found in organic food. Phytonutrients are molecules that remove the presence of free radicals, which are ions, atoms, and molecules that can damage human cells (Arvaniti 2003). This is because there is not a regular application of chemical pesticides and the plant must rely on increased production of these compounds within itself. Organic produce will contain 10-50% higher phytonutrients than conventional produce (Heaton 2009).

Consuming organic foods is not the only way to increase nutrient consumption, but it may be the safest. Pesticide residues in conventional foods are known to be safe and within acceptable health limits. However, food monitoring programs are constantly showing that nearly one in three nonorganic food samples tested contained a variety of pesticide residues, at levels higher than those being found in and on organic produce. Most pesticide residue safety levels are set for individual pesticides, but most fresh produce can carry multiple pesticides that can have negative impacts on the reproductive, immune, and nervous systems (Heaton 2009).

Table 2-2: Comparison of pesticide residues (Davis 2006)

<b>Detection of pesticide residues in conventional and organic produce: summary of different monitoring programs</b>				
	USDA pesticide data program	CDPR marketplace surveillance program	Consumers Union	Belgium
Conventional — percentage detected	73	31	79	49
Organic — percentage detected	23	6.5	27	12
Ratio — conventional/organic	3.2	4.8	2.9	4.1

In order to make useful comparisons between organic and conventional food, quality should also be considered. In conventional practices, food quality is determined by properties that can easily be measured and quantified (i.e. nutrient content, texture, and microbiological properties). The quality of organic food includes social and environmental dimensions as well as the common measurements of conventional foods (Arvaniti 2003). Besides an individual's own personal health, organic foods are also contributing to the health of the environment in which

people live. Harmful chemicals are not used in organic farming. There is minimal soil, air, and water pollution, ensuring a safer world for our future generations to live in. Dr. Vyvyan Howard, a toxico-pathologist at the University of Liverpool, voiced her opinion on the move towards organic food by the new, and growing, health conscious market segment: "People are applying the precautionary principle to their own lives by purchasing food that has not been produced by industrial methods. From the simple stance of hazard avoidance, organically produced food is the best option that we have" (Heaton 2009).

Animal feeding experiments indicate that animal health and reproductive performance are improved when they are organically fed (Arvaniti 2003). Similar findings are yet to be identified in humans, but it will be assumed that these findings apply to both animals and humans. At the University of Wisconsin at Madison a study among college students was performed to examine their attitudes towards organic food. The objective of this study was to determine whether student awareness and attitudes about organic foods would predict their behaviors with regard to organic food consumption and other healthy lifestyle practices. New research, an increasing public interest, and a desire to become "healthy" have increased the global awareness of organic food products. The results of this study found that the younger students, less than twenty-two years old, were able to define organic and recognize the official USDA seal. Most students knew organic foods were available in grocery and health food stores, but few believed they were offered in restaurants. Nearly 50% of students in this study said that they accept organic foods, or eat only organic foods. Data analysis linked students who live a healthy lifestyle with regular consumption of organic foods (Dahm 2009).

### Organic Food in Restaurants

Chefs are also joining the organic craze by embracing the flavorful quality and incorporating organic foods into their restaurant menus. Food & Wine magazine's *Chef's Survey* found that 76 percent of the chefs surveyed said that they "actively seek out organically grown ingredients." And, according to the National Restaurant Association, 57 percent of restaurants with per person checks of \$25 or more now offer organic items on their menus. Fast food chains like Panera and Chipotle have also started using organic ingredients. Chipotle carnitas were once the least popular meat at the restaurant, but once they began serving carnitas from pigs that received no antibiotics, ate a vegetarian diet, and were given access to open pasture the carnitas became the most popular meat selected, despite an increase in price. Since receiving an eco-friendly makeover, Chipotle's revenues have grown tenfold to reach \$1.1 billion. Its stock price has more than doubled since January 2006, and it now operates more than 700 restaurants around the country and expects to open an additional 130 to 140 before the year-end. Organic food availability in restaurants is expected to increase dramatically over the coming years (McIver 2004).

### Business plans

A business plan is a detailed blueprint used to identify a company's goals and to explain how a company will achieve financial success. Writing a business plan is an important part of forming and running a business. It is critical to acquiring funds and for charting a successful course of action (San Diego Public Library 2005). When starting a new business there are two roles an individual might play. The first is that of a franchisee, an individual who buys into an already successful company and builds his business off their already established, successful

business plan. The second role is that of an entrepreneur, an independent business owner who takes an idea, a conceptual dream, and transforms that vision into a working reality through the development of a unique business plan (Buzza 2009). Regardless of the chosen role, “every business will benefit from the preparation of a carefully written business plan.” (Pinson 2001)

A business plan includes a summary, mission statement, keys to success, market analysis, and break-even analysis. A startup plan is good for deciding whether or not to proceed with an idea, it tells if there is a business worth pursuing, but it is not enough to run a business with (Berry 2004). Every business plan begins with an executive summary, the thesis statement of the business plan. The executive summary answers the questions who, what, where, when, why, how, and how much. It is not written until the business plan is completed as it is a summary that reflects the contents of the finished plan. A business plan is composed of four parts: the organizational plan, a summary description of the business followed by administrative information; the marketing plan, a discussion of all components contributing to the market strategy; financial documents, the quantitative interpretation of everything stated in the preceding sections; and supporting documents, the records to back up statements made in the previous first three sections (Pinson 2001).

The business plan typically starts with a mission statement. The mission statement defines in a sentence or a paragraph an entity's reason for existence. It embodies the company's philosophies, goals, ambitions and moral. Any entity that attempts to operate without a mission statement runs the risk of wandering through the world without having the ability to verify that it is on its intended course. “A good mission statement should accurately explain why your organization exists and what it hopes to achieve in the future” (Radtke 1998: 1). The business description follows, it anticipates and provides answers to critical questions regarding the

business, product/service, marketing, and also provides an analysis of the target customer. The marketing plan describes what kind of product the company will provide and explains how the product is different from that of the competition. A comprehensive plan looks at four essential marketing tools - product, price, place, and promotions - and applies them to the development of a strength, weakness, opportunity, and threat analysis. The financial plan provides a detailed financial plan for profit and loss forecasts, and will forecast at least 24 months into the future. The balance sheet should include your company's total assets, liabilities, and total net worth. The total assets should be equivalent to the total liabilities plus total net worth. A summary of key ratios is also used to measure financial benchmarks of success (San Diego Public Library 2005).

### SWOT Analysis

The SWOT analysis is a simple framework for generating strategic alternatives from the analysis of a business situation. It can be applied to the corporate level, as well as the level of individual business units. SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. Strengths are those potential factors that make a firm more competitive than its direct competitors. Weaknesses are potential limitations and defects in an organization and/or weak factors relative to direct competitors. Opportunities are future factors that allow the organization to improve its relative competitive position, while threats can reduce its competitive position. The three phases of the SWOT analysis are detect, determine, and implement/monitor the strategy (Clauson, J.G. 2001).

The SWOT framework was first described in the 1960's by Edmund P. Learned, C. Roland Christiansen, Kenneth Andrews and William D. Guth in *Business Policy, Text, and Cases*. Kenneth Andrews went on to further discuss the topic in 1971 with his book *The Concept*

*of Corporate Strategy*. The General Electric Growth Council used this form of analysis in the 1980's. Because it concentrates on the issues that potentially have the most impact, the SWOT analysis is useful when a very limited amount of time is available to address a complex strategic situation. A SWOT analysis identifies and addresses strategic issues, provides an organization with a catalyst that stimulates positive activity, increases the likelihood of achieving goals, facilitates organizational change, and improves a company's competitive position (Clauson, J.G. 2001).



## Chapter 3

### **METHODOLOGY**

#### Procedures for data collection

To determine if a new organic restaurant can successfully generate profitable revenue in San Luis Obispo, a business plan must be created. The process of creating this business plan will require broad, comprehensive research on the public opinion towards organic food, population demographics within San Luis Obispo, startup and operation costs, and on competing businesses within the restaurant industry. Every business plan is built from the same basic structure: an executive summary, organizational plan, marketing plan, financial documents, and supporting documents. Data must be collected to develop the marketing plan and financial documents.

To begin the business plan the offered products/services of the business must be described. For a restaurant this would involve a description of the available cuisine. To determine what dishes can be offered to customers, suppliers of organic food, preferably those located in the Central Coast area of California, will need to be contacted about what ingredients they can provide and at what prices. Foodsupplier.com provides a state by state directory of both broad line and specialty food distributors; local organic farms represent other potential food suppliers. Restaurant managers of San Luis Obispo will also be interviewed to identify additional possible sources of organic food and ingredients.

The financial documents are the quantitative parts of the business plan. These include a section on startup costs and operation costs. The cost of rent, labor, PP&E (plant, property, and equipment), initial inventory, renovation, marketing, advertising, supplies, furniture, and any other similar costs (e.g. bank loans) must be determined. Information on these costs will be needed to calculate the total cost of the first year of operation, and will come from many sources. The majority of this information can be found on websites selling the products that will be needed for start-up. To find a rental space for the business, websites like showcase.com contain listings of commercial real estate for rent in San Luis Obispo, and give the rent per square foot, and total rent per year. The desired size for this restaurant is between, 1,400 to 1,800 square feet. Approximately 60% of this space is used for dining, and 40% is used for cooking, preparation, and storage. If the property requires renovation, a contractor will be contacted and provide the information needed for estimating that aspect of the start-up costs. Contractors available for remodeling and restoration in San Luis Obispo include Beem Peterson Gen Contractors, Pro Builders, and Pacific Builders. Restaurantequipment.net has a huge selection of supplies and equipment, as well as links to other websites that can provide furniture for food service businesses. Labor costs will be set according to minimum wage laws, industry standards, and norms for the location. California minimum wage laws are available via the United States Department of Labor website. It must be determined if all employees are paid hourly, or if any receive a salary. An SBA 7(a), small business loan, will pay for the majority of startup costs.

To produce a concrete marketing plan, the population must be researched. Census data will provide accurate details of the population demographics within San Luis Obispo, as well as per capita income and household income distribution. A strategic and competitive analysis will give an assessment of the strengths and weaknesses of current and potential local competitors,

which have been identified as Natural Café and Evos. This analysis provides both an offensive and defensive strategic context to identify opportunities and threats to the business. Data on these competitors can be obtained via their websites, and possibly from interviewing managers and owners if they are willing. Additional information on Evos can be found via the LexisNexis database. LexisNexis describes itself as the "world's largest collection of public records, unpublished opinions, forms, legal, news, and business information." It provides a vast amount of information including SIC codes, up to 7 years of sales/net income, securities, and the number of employees.

#### Procedures for data analysis:

Analysis of the collected data will be both qualitative and quantitative. A SWOT analysis will be developed from the competitive analysis and market data to identify the strengths, weaknesses, opportunities, and threats facing the restaurant. The aim of any SWOT analysis is to identify the key internal and external factors that are important to achieving the objective. These come from within the company's unique value chain. Internal factors are commonly the strengths and weaknesses, while external factors are opportunities and threats. A firm's strengths are its resources and capabilities that can be used as a basis for developing a competitive advantage. The absence of certain strengths may be viewed as a weakness. The external environmental analysis may reveal certain new opportunities for profit and growth. Changes in the external environment also may present threats to the firm.

Most businesses use the same basic questions during a SWOT analysis. To get an idea of its strengths a business could ask itself many questions: what advantages does the company have; what does the company do better than anyone else; what unique resources does the company

have access to; or what do people in the market see as the strengths of the company. To identify weaknesses a business looks at what could be improved, and what should be avoided.

Opportunities are usually identified by examining interesting trends in the market or by listing competitive advantages. Threats can be determined by a company making itself aware of obstacles, the competition's strategy, evolving technology, and cash flow problems (Slezak 2009a).

After analyzing the SWOT data, a rank and weight is assigned to each factor. Weights are assigned values between 0, unimportant, and 1, very important. The weight indicates the importance of that factor in achieving success in the industry. The sum of all weights must equal

1. Rank measures how well the company is currently responding to the factor on a scale of 1 to 4. A 4 means the response is superior; 3 means above average; 2 means the response is average; and 1 means below average. Using the factors discussed in the SWOT analysis, strategies are formulated within a SWOT matrix that take advantage of strengths and available opportunities, while at the same time overcoming threats and weaknesses (Slezak 2009b).

Figure 3-1: SWOT template

	Strengths	Weaknesses
Opportunities		
Threats		

Following the completion of the SWOT matrix, the final step of the competitive analysis will be to create a Quantitative Strategic Planning Matrix, or QSPM. The QSPM is referred to as a stage 3 management tool, SWOT is stage 2. It is an approach taken to compare feasible

alternative actions/strategies. The attractiveness of each strategy is computed by determining the cumulative impact of each external and internal factor.

Figure 3-2: Quantitative Strategic Planning Matrix template

Key Factors	<u>Alternative 1</u>			<u>Alternative 2</u>		
	Weight	Rank	Total Score (Weight x Rank)	Weight	Rank	Total Score (Weight x Rank)
<u>Strengths:</u>						
a						
b						
c						
d						
<u>Weaknesses:</u>						
a						
b						
c						
d						
Sum Weights	100%			100%		
<u>Opportunities:</u>						
a						
b						
c						
d						
<u>Threats:</u>						
a						
b						
c						
d						
Sum Weights	100%			100%		
Sum Total Scores			x			y

In a QSPM the rank is different from that of the SWOT analysis. It scores how acceptable a factor is for the strategic alternative being examined. A score of 0 means a factor has no effect; 1 is not acceptable; 2 is possibly acceptable; 3 is probably acceptable; and 4 is most acceptable. When assigning these ranks it is helpful to ask “Does the factor affect the strategic choice?” and “Is the strategic choice attractive to dealing with the factor.” Upon completion of the QSPM the alternative with the greater sum total score will be the action taken by the company (Slezak 2009b).

Finally, to determine if the restaurant will be able to earn and maintain a profit, a profitability study will be performed. This study will take the form of a financial analysis. It

requires a sales forecast, balance sheet, statement of cash flows, income statement, and a breakeven analysis to determine if the restaurant is indeed profitable. The data collected for start-up costs will be represented in the first year of these statements. Sales forecasts will be created to help determine profit/loss per month and per year. To produce the forecasts an estimated unit value will be applied to meals, drinks, and other items (i.e. pre-bottled beverages) based on competitor prices, these values will be placed into a mathematical formula,  $ax+by+cz =$  total sales; where a, b, and c are representative of the unit values previously mentioned and x, y, and z are representative of total units sold. The statement of cash flows projects what the business plan means in terms of dollars. It shows cash inflow and outflow over a period of time and is typically used for internal planning. Cash flow statements show both how much and when cash must flow in and out of the business. The income statement shows projections for the restaurant over the next three years. It uses the revenue and expense totals from the cash flow of the restaurant for the first year's figures and projects for the next two years according to expected economic and industry trends; the income statement will provide an estimate of net income. The balance sheet is a projection of assets, liabilities, and equities of the company at the end of the fiscal year, and must follow the formula  $A=L+E$  (Assets=Liabilities+Equity). The breakeven point is the point at which a company's expenses exactly match the sales or service volume. Revenue and expense figures are drawn from the three-year income projection.

### Assumptions

The assumption made in this business plan is that organic food, ingredients, can be easily obtained by the restaurant through distributors and suppliers.

### Limitations

The limitation of the business plan is that the estimated revenues, costs, and sales may not be accurate. With limited time and resources it is not possible to be certain these values are correct. Also, the fact that there are so few organic restaurants already operating in the country may indicate that it is not feasible to open one in San Luis Obispo, CA.

## Chapter 4

### **DEVELOPMENT OF THE STUDY**

#### Data Collection

The goal of this project was to determine if it is feasible to open an organic restaurant in San Luis Obispo. To determine the answer to this problem statement a business plan for a hypothetical organic restaurant, Joobalance, was created. The key information of this business plan is summarized in this chapter. Data used in the strategic analysis was collected by researching local restaurants via their websites. The figures used in the financial section were based off of food prices from the Cal Poly Organic Farm, New Frontiers Marketplace, and a buyer's catalog for the distributor, United Natural Foods Inc. All equipment costs are from websites that include ablekitchen.com, restaurantequipment.com, and bestbuy.com. This data, as well as the business plan, can be found in the appendix

#### Summary The Restaurant

Joobalance is going to be a new healthy, organic restaurant chain inspired by the increasing health conscious attitudes of Americans. Joobalance utilizes the freshest organic produce and lean cuts of meat to provide customers with meals of high nutritional value inspired by cultures across the globe. Every meal is to be freshly prepared for customers, meeting the individual dietary needs and preferences of each one. The location offers a relaxing atmosphere



for customers to enjoy their meal, also providing the option of takeout, delivery, and even catering for special events.

The restaurant not only cares about its customer's health, but also that of the environment. The building will be LEED certified, commonly known as "green," using sustainable, resource efficient models of renovation and operation. Green buildings are designed to reduce the overall impact of the built environment on human health and the natural environment by: efficiently using energy, water, and other resources; protecting occupant health and improving employee productivity; and reducing waste, pollution and environmental degradation. Joobalance will make use of alternate energy to run operations and decrease the location's carbon footprint. Alternate energy sources include, and are not limited to wind and solar energy.

The restaurant will be established as a sole proprietorship initially by Jesse Godsey. Investors will be sought out when expansion becomes the desired goal. To help finance the start-up of this restaurant an SBA 7(a) loan will be needed.

### The Mission

The mission of Joobalance is to provide a unique, healthy, delicious dining experience from environmentally sustainable locations. Since it is located in a small college community, strong community ties and support are important to Joobalance. The majority of food to be used will come from local suppliers along the central coast, even using products of California Polytechnic State's organic farm. The employees are driven by a passion for the food they are serving while trained in providing the highest level of customer service to make each individual experience enjoyable.

### Location

After using [www.showcase.com](http://www.showcase.com) to view available property in the Central Coast, the first location was chosen to be 728 Marsh Street in San Luis Obispo, a location that gives the restaurant a strong chance for success. The location's potential lies in the fact it is a heavily trafficked area, downtown San Luis Obispo. This retail lot is 1,825 square feet and is available for rent at \$21 per square foot per year, \$38,325 per year.

### Management Summary

Joobalance will be starting as a small business, so employee costs will be kept to a minimum. Positions to be filled include cashiers, bussers, line cooks, dishwashers/kitchen aid, and chefs. The founder will act as an overall manager, approving all hires and financial decisions. Assistant managers may be needed eventually to handle personnel, most day to day finances, and more importantly, the customers during the owner's absence. An accountant and marketing team will be hired and work separate from other restaurant employees. Annual salaries will be paid to an accountant and the owner. All other employees will be compensated using hourly rates for their specific job function. Hourly rates will be paid according to California Labor Code section 310:

Any work in excess of eight hours in one workday and any work in excess of 40 hours in one workweek and the first eight hours worked on the seventh day of work in any one workweek shall be at the rate of one and one-half times the regular rate of pay. Any work in excess of 12 hours in one day and any work in excess of eight hours on any seventh day of a workweek shall be paid no less than twice the regular rate of pay (U.S. Department of Labor 2010).

Table 4-1: Joobalance payroll

	Pay rate per hour	Year 1	Year 1 per month	Year 2	Year 2 per month	Year 3	Year 3 per month
Owner/founder	Salary	40,000.00	3,333.33	45,000.00	3,750.00	50,000.00	4,166.67
Cashiers/Bussers (3)	8.00	60,000.00	5,000.00	61,000.00	5,083.33	62,000.00	5,166.67
Line/Prep Cooks (2)	10.00	42,000.00	3,500.00	43,000.00	3,583.33	44,000.00	3,666.67
Chefs (2)	12.00	50,400.00	4,200.00	51,400.00	4,283.33	52,400.00	4,366.67
Accountant	Salary	28,000.00	2,333.33	30,000.00	2,500.00	33,000.00	2,750.00
Total Payroll		220,400.00	18,366.67	230,400.00	19,200.00	241,400.00	20,116.67

To account for hourly employee raises and taxes an extra \$1,000 will be added to payroll for each position's yearly payroll budget total.

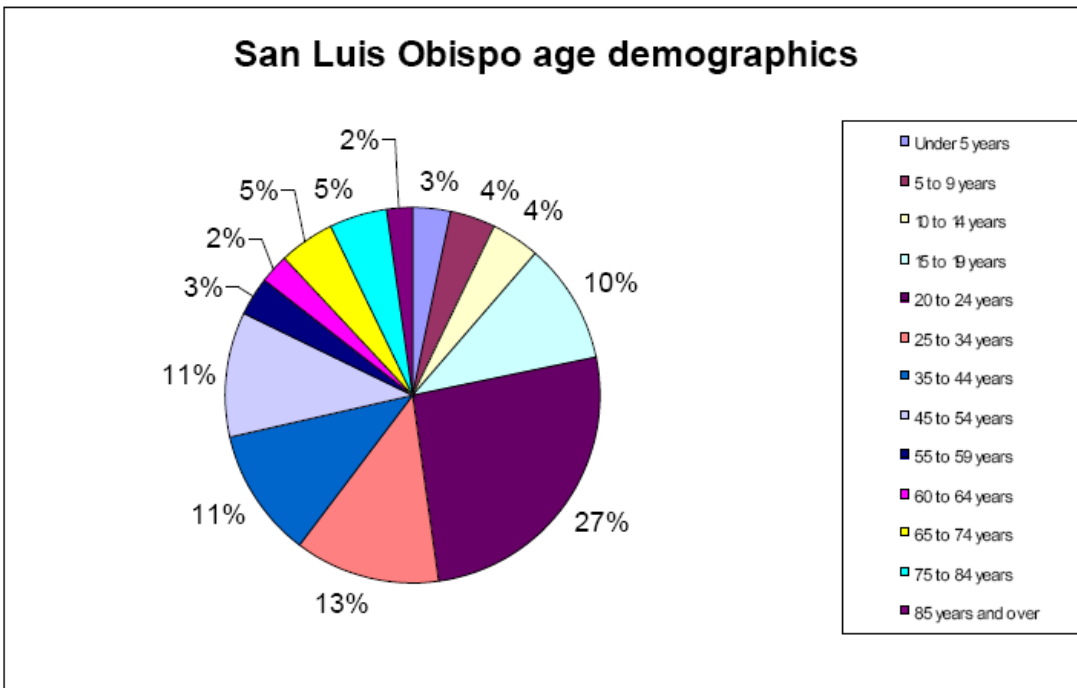
### Products and Services

The combination of organic products, the atmosphere, and the environment are what make this restaurant stand out among its competitors. Joobalance, as previously mentioned, provides freshly cooked meals and blended smoothies from organic ingredients. The manager of New Frontiers Marketplace, a local organic grocery store provided guidance to the organic food distributor UNFI, United Natural Foods, Inc. "UNFI is the leading independent national distributor of natural, organic and specialty foods in the United States.... The product selection includes a broad array of natural and organic groceries, frozen, and perishable foods." This distributor, the New Frontiers Marketplace, and the Cal Poly Organic Farm provides Joobalance with every ingredient from herbs and spices to fruit, vegetables, and proteins.

### Marketing Summary

San Luis Obispo census data was used to determine age demographics that would be looked at as the restaurant's client basis.

Figure 4-1: San Luis Obispo census data



This figure shows that the key market demographic in San Luis Obispo will be the college students (20 to 24 years old) that make up over a quarter of the town's population. There are currently two institutions of higher learning in San Luis Obispo: California Polytechnic State University and Cuesta Community College. As of Fall 2007 the enrollment at CPSU was near 20,000 and Cuesta had just over 11,000 students. The combined age groups of adults (25 to 34, 35 to 44, and 45 to 54) working in the San Luis Obispo area makes up 33% of the population, an even larger proportion than the college age group. This demographic will be very important in achieving success as there is more disposable income available when compared to the college students. Engel's Law states, "As income rises, the *proportion* of income spent on food falls, even if *actual* expenditure on food rises." Accompanying this change, the quality of food on which income is spent rises; this is typically where the move to organic food takes place because the bundle of characteristics with which the customer is concerned increases. The primary focus

of marketing for the restaurant is the growing health conscious group of Americans within these age demographics.

### SWOT analysis

The strengths, weaknesses, opportunities, and threats of the organic restaurant are listed below along with their weighted impact on the mission. The strengths of this restaurant come from a combination of the menu and the building itself. By offering a variety of cuisines Joobalance can appeal to multiple tastes and bring in more customers. Whether someone is looking for a burrito, a salad, or pasta they will be able to choose from a selection that leaves him/her satisfied. Not only is the variety of the menu a notable strength, but the nutritional value of these items is as well. In fact, it is believed to be the reason people will come to the restaurant. The various health benefits of organic food have been discussed in the literature review and they appeal to various groups of San Luis Obispo residents. The building itself has been designed to provide a comfortable, inviting feel. People can come and not only enjoy a great meal, but a great atmosphere as well. Also, a fact that all individuals can appreciate is that the building is LEED certified, commonly referred to as “green.” LEED certification provides independent, third-party verification that a building project is environmentally responsible, profitable, and a healthy place to live or work. A branded image will also be designed to provide instant recognition of the business. A key to the success of any business is the quality of service provided, at Joobalance all employees are experienced with customer service and share a passion for the food they are serving. This quality service provides an enjoyable experience for any customer and will keep them coming back.

Table 4-2: SWOT Analysis - Strengths

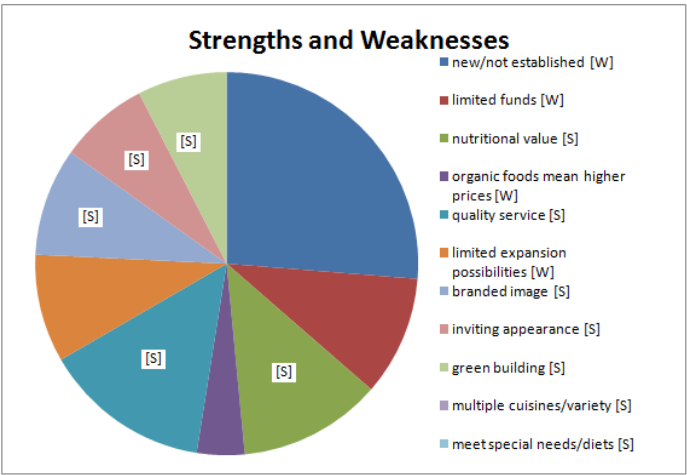
Rating	Strengths:	Wgt	Wgt Score
3	multiple cuisines/variety	5%	0.15
3	inviting appearance	6%	0.18
4	branded image	7%	0.28
3	quality service	8%	0.24
4	nutritional value	13%	0.52
3	meet special needs/diets	5%	0.15
3	green building	6%	0.18
<u>2.5556</u>		<u>50.00%</u>	

The weaknesses of this business rest in the facts that this is a brand new, unknown business and that organic food can be quite expensive when compared to its conventional counterpart. These weaknesses can be overcome, but the key to achieving this lies in the marketing of the restaurant. A new business must initially build a public buzz and make a good amount of positive information available. The restaurant will build this buzz by marketing through social media, flyers posted around San Luis Obispo, and other public ads. The higher price of organic food is associated with its increased nutritional value, if this can be considered reasonable by consumers than this weakness can be overcome. As a new business, Joobalance must also overcome its initial startup debt and limited supply of funds. These will likely only be weaknesses, obstacles to success, during the first year of operations.

Table 4-3: SWOT Analysis - Weaknesses

Rating	Weaknesses:	Wgt	Wgt Score
4	new/not established	18%	0.72
3	limited funds	14%	0.36
2	organic foods mean higher prices	10%	0.2
1	limited expansion possibilities	8%	0.08
<u>2</u>		<u>50.00%</u>	

Figure 4-2: SWOT Analysis – Strengths & Weaknesses



Various opportunities exist within San Luis Obispo, CA that can make Joobalance a successful restaurant. The numerous age groups supply a variety of potential clientele. There are also many demographics that exist within these groups, the most important being the student population of California Polytechnic State University and Cuesta Community College. The largest opportunity for success lies in the growing health conscious attitude of Americans, which continues to grow as a result of obesity statistics and television shows, such as The Biggest Loser. The building's location in a high traffic, both pedestrian and vehicular, area is an opportunity within itself, as it will give the business constant public exposure. Individuals who are not members of the sought after age demographics may provide business out of simple curiosity and walk-ins.

Table 4-4: SWOT Analysis - Opportunities

rating	Opportunities:	wgt	wgt score
3	student population	7%	0.21
4	increasing health conscious attitude	15%	0.4
3	cal poly organic farm	5%	0.15
3	appeal to many demographics	8%	0.24
3	central coast suppliers	6%	0.18
4	high traffic bldg locations	9%	0.36
2.5		50.00%	

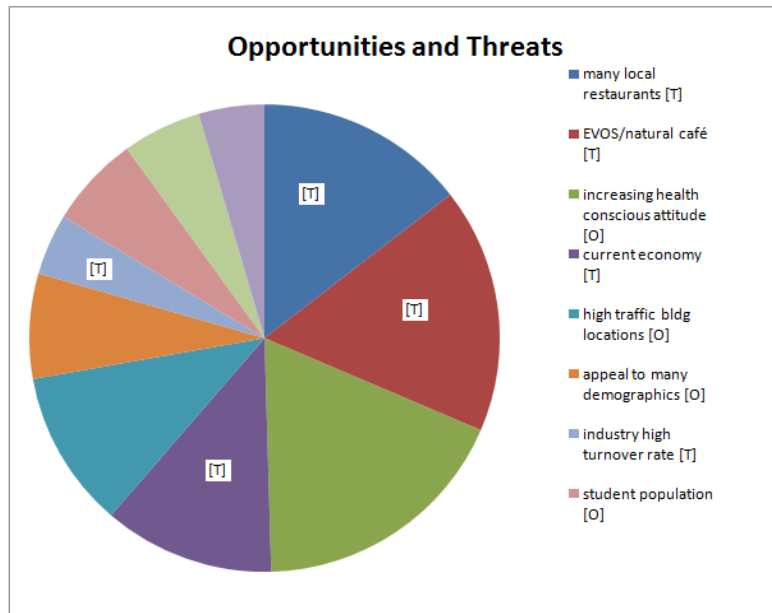
While there are only a few threats to the success of Joobalance, they must all be handled strategically or this business could fail. San Luis Obispo is populated by many small businesses, especially when it comes to restaurants. The main competitors to Joobalance out of all San Luis Obispo restaurants are EVOS and natural café. Both restaurants are health oriented and serve food created from similar ingredients. Joobalance must work to differentiate itself from these restaurants in order to become a thriving business.

Table 4-5: SWOT Analysis - Threats

rating	Threats:		wgt	wgt score
3	many local restaurants		16%	0.48
3	current economy		13%	0.3
2	industry high turnover rate		7%	0.14
4	EVOS/natural café		14%	0.56
2.4			50.00%	

Figure 4-3: SWOT Analysis – Opportunities & Threats





After analyzing the SWOT data the next step is to create a SWOT matrix. The following strategies were formulated to take advantage of the restaurant's strengths and available opportunities, while at the same time overcoming threats and weaknesses.

Figure 4-4: SWOT Matrix

	Strengths	Weaknesses
Opportunities	<ul style="list-style-type: none"> <li>• interactive website (feature menu, company information, and order placing)</li> <li>• integrate pop culture to appeal to students</li> <li>• informative "fun" health facts on food wrappers/containers</li> <li>• advertise with branded image to gain recognition</li> <li>• community ties evident (support Cal Poly)</li> </ul>	<ul style="list-style-type: none"> <li>• establish a student following, coupons distributed on campus/ WOW week</li> <li>• advertise the value of the meal "worth the wait"</li> <li>• profitability of location can produce funds for expansion</li> <li>• buying from local suppliers decreases costs</li> </ul>
Threats	<ul style="list-style-type: none"> <li>• more diverse selection than competitors</li> <li>• employees are passionate about the food, reducing turnover</li> <li>• work to make inner appearance more appealing than competitors, pop culture</li> </ul>	<ul style="list-style-type: none"> <li>• offer coupons/savings to work with the economy</li> <li>• organize a social event for the opening, using Cal Poly students</li> <li>• student discounts/specials</li> </ul>

Various goals were set to make this organic restaurant a success, the three most appealing were discussed and analyzed using the following Quantitative Strategic Planning Matrix.

Table 4-6: QSPM

Quantitative Strategic Planning Matrix							
		expansion		overcome competitors		community outreach	
Strengths	Wgt	AS	Wgt Avg	AS	Wgt Avg	AS	Wgt Avg
[S1] multiple cuisines/variety	5%	0	0	3	0.15	0	0
[S2] inviting	6%	0	0	3	0.18	3	0.18
[S3] branded image	7%	4	0.28	4	0.28	3	0.21
[S4] quality service	8%	2	0.16	4	0.32	4	0.32
[S5] nutritional value	11%	3	0.33	3	0.33	1	0.11
[S6] green building	6%	0	0	0	0	4	0.24
<b>Weaknesses</b>							
[W1] new/not established	16%	3	0.48	4	0.64	3	0.48
[W2] limited funds	12%	4	0.48	2	0.24	1	0.12
[W3] organic foods mean higher prices	10%	0	0	0	0	0	0
[W4] limited expansion possibilities	8%	4	0.32	2	0.16	0	0
<b>Opportunities</b>							
[O1] student population	7%	2	0.14	3	0.42	3	0.42
[O2] increasing health conscious attitude	10%	3	0.3	3	0.3	1	0.1
[O3] cal poly organic farm	5%	0	0	0	0	3	0.15
[O4] appeal to many demographics	8%	1	0.08	4	0.32	2	0.16
[O5] central coast suppliers	6%	0	0	0	0	2	0.12
[O6] high traffic bldg locations	9%	3	0.27	3	0.27	1	0.09
<b>Threats</b>							
[T1] many local restaurants	16%	1	0.16	4	0.64	3	0.48
[T2] current economy	10%	4	0.4	2	0.2	1	0.1
[T3] industry high turnover rate	7%	0	0	0	0	0	0
[T4] EVOS/natural café	14%	2	0.28	2	0.28	2	0.28
<b>Strategic score</b>			3.68	<	4.58	>	3.56
<b>Strategic score ratio</b>			1.046961	<	1.301104972	>	1

Using the tabulated data above, the goal Joobalance will be focused on is overcoming competitors in the market. San Luis Obispo has many restaurants competing for success, T1, but the direct competition for Joobalance comes from EVOS and Natural Café, T4. EVOS is a “healthy and environmentally sound fast food chain” located on South Higuera in San Luis Obispo. While taking a similar stance on health and providing customers with organic ingredients, EVOS’ short coming is the lack of variety and creativity in the menu, only offering a small choice of burgers, wraps, and salads. The variety of food offered by Joobalance is considered one of its top strengths, S1. Regarding its presentation, the restaurant is somewhat similar to Joobalance from a decorative interior to sustainable daily practices. Joobalance’s location, O6, and its menu give it the competitive advantage in this situation.

"The Natural Café is focused on using fresh, regional ingredients to create healthy and delicious food. We're committed to providing a good value for your health and your budget." Joobalance overcomes this competitor in a somewhat opposite manner as the menu of Natural Café is similar. We will depend on the restaurant’s atmosphere and service, S2/S4, to give customers a significantly different and more enjoyable experience. Joobalance is also making more of an effort to live sustainably, S6. The website for Natural Café does make some quality suggestions for how to “live green,” but the restaurant itself only recycles to make an impact. EVOS and Natural Café have a slight advantage as they are not affected by W1, 2, and 4 because they have already been operating and possess multiple locations, across both California and the country.

All three of these restaurants face the same threats - T1, T2, and T3. However, EVOS does not handle them as well as Natural Café and Joobalance. The same opportunities exist for all restaurants, but EVOS and Natural Café only capitalize on O2. The three competitors share

S2,3 ,4, and 5, however, at Joobalance the effort is made to go above and beyond what other restaurants in San Luis Obispo can offer, making it a top competitor for any restaurant in the area. A closer look was taken at these competitors, analyzing them with Joobalance's SWOT charts. The competitive analysis produced the following data:

Table 4-7: Competitive Analysis – Strengths & Weaknesses

Joobalance Competitive Profile Matrices								
Strengths and Weaknesses								
				Joobalance		EVOS		Natural Café
	Critical Success Factors	Weight	Rating	Weighted Score	Rating	Weighted Score	Rating	Weighted Score
W	new/not established	18%	4	0.72	2	0.36	2	0.36
W	limited funds	14%	3	0.42	3	0.42	4	0.56
S	nutritional value	13%	4	0.52	4	0.52	4	0.52
W	organic foods mean higher prices	10%	2	0.2	3	0.3	3	0.3
S	quality service	8%	3	0.24	3	0.24	3	0.24
W	limited expansion possibilities	8%	1	0.08	4	0.32	3	0.24
S	branded image	7%	4	0.28	3	0.21	3	0.21
S	inviting appearance	6%	3	0.18	3	0.18	4	0.24
S	green building	6%	3	0.18	1	0.06	2	0.12
S	multiple cuisines/variety	5%	3	0.15	1	0.05	3	0.15
S	meet special needs/diets	5%	3	0.15	2	0.1	3	0.15
		100%		3.12		2.76		3.09

Table 4-8: Competitive Analysis – Opportunities & Threats

Opportunities and Threats								
				Joobalance		EVOS		Natural Café
	Critical Success Factors	Weight	Rating	Weighted Score	Rating	Weighted Score	Rating	Weighted Score
T	many local restaurants	16%	3	0.48	1	0.16	3	0.48
T	EVOS/natural café	14%	4	0.56	2	0.28	3	0.42
O	increasing health conscious attitude	15%	4	0.6	4	0.6	4	0.6
T	current economy	13%	3	0.39	2	0.26	3	0.39
O	high traffic bldg locations	9%	4	0.36	1	0.09	4	0.36
O	appeal to many demographics	8%	3	0.24	2	0.16	2	0.16
T	industry high turnover rate	7%	2	0.14	2	0.14	3	0.21
O	student population	7%	3	0.21	2	0.14	3	0.21
O	central coast suppliers	6%	3	0.18	3	0.18	3	0.18
O	cal poly organic farm	5%	3	0.15	1	0.05	1	0.05
		100%		3.31		2.06		3.06

The competitive analysis shows the Natural Café is the main competitor of Joobalance. The weighted scores of the identified strengths and weaknesses are very close, a difference of 0.03.

The weighted scores of Joobalance's opportunities and threats is much greater than Natural Café and imply that Joobalance can overcome the competition.

### Financial Analysis

The main goal, like any other business, was to turn a profit. The financial analysis determined whether or not the restaurant would become a profitable investment by its third year of operations. The startup funding table details all costs associated with opening the restaurant and its first month of operations.

Table 4-9: Startup Funding

<i>Startup assets</i>	
Cash and cash equivalents	52,089.00
Leasehold improvements	4,000.00
Equipment	60,050.00
Fixtures	11,748.00
24V Sunwize wind turbine	734.00
Mirage - Nanosat 5.0 Speaker System	550.00
LG - 55" Class / 1080p / 120Hz / LED-LCD	
HDTV	1,930.00
2 year protection plan	230.00
Full-Motion Wall Mount	750.00
Geek squad installation	200.00
42 inch wall style booth x 4	2,276.00
4 seat island cluster seating x 2	1,822.00
Cluster unit (6 -8 seats) x 2	3,256.00
Website (flash website)	2,500.00
<b>Total Startup Assets</b>	<b>130,387.00</b>
<i>Startup expenses:</i>	
Business license	2,000.00
Rent	38,325.00
Food inventory	9,595.00
Advertising budget	6,500.00
Office/Miscellaneous Expenses	5,500.00
(cleaning supplies, uniforms, paper rolls, etc.)	

Pre-opening Labor-staff/Mgmt/Trainers	4,000.00
Customer needs (i.e. silverware, china, napkins, etc.)	1,343.00
Payroll	25,350.00
Utilities	2,000.00
<b>Total startup expenses</b>	<b>94,613.00</b>

*Liabilities:*

Long term liabilities	150,000.00
<b>Total liabilities</b>	<b>150,000.00</b>

*Capital:*

planned investment	
Personal	75,000.00
<b>Total planned investment</b>	<b>75,000.00</b>

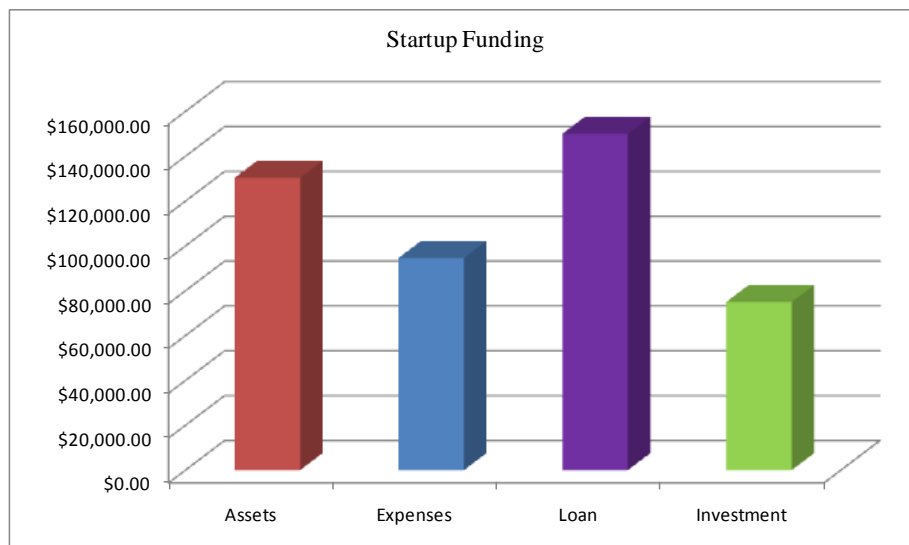
*Startup funding required:*

Startup assets to fund	130,387.00
Startup expenses to fund	94,613.00
<b>Total funding required</b>	<b>225,000.00</b>

*Startup funds:*

Total capital	75,000.00
Total liabilities	150,000.00
<b>Total funds</b>	<b>225,000.00</b>

Figure 4-5: Startup Funding



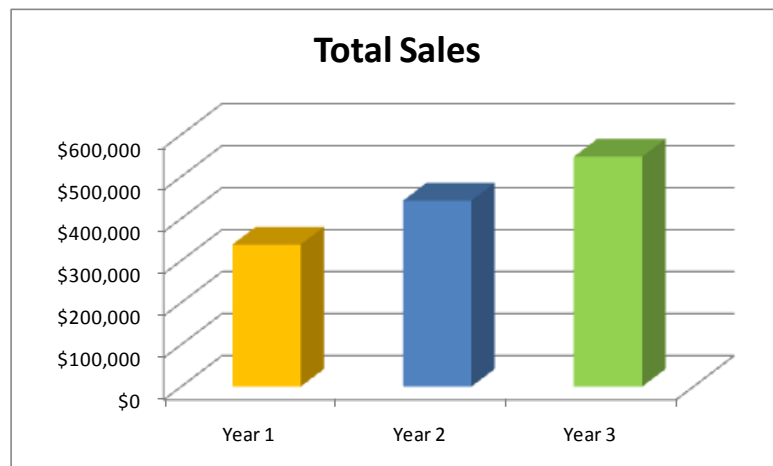
The various categories of startup costs associated with this business are shown by the above figure. The restaurant's sales forecast predicted an increase in sales each month equal to 3% of its first month sales for three years. Table 4-9 provides the resulting sales totals.

Table 4-10: Sales forecast -  
3% monthly increase in sales

	Year 1	Year 2	Year 3
<b>Unit sales</b>			
Meals	24,465	32,025	39,591
Drinks	12,233	16,013	19,796
Other	4,078	5,338	6,599
Total Sales	40,775	53,375	65,985
<b>Unit prices</b>			
Meals	\$11	\$11	\$11
Drinks	\$4	\$4	\$4
Other	\$5	\$5	\$5
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Meals	\$269,115	\$352,275	\$435,501
Drinks	\$48,930	\$64,050	\$79,182
Other	\$20,388	\$26,688	\$32,993
Total Sales	\$338,433	\$443,013	\$547,676

\*Please see appendix for the detailed thirty-six month forecast

Figure 4-6: Sales Forecast



Using the data generated by the sales forecast an income statement was developed for the first three years. While the restaurant began generating positive income in its second year of operations, the statement of cash flows shows that the business will only experience minor cash inflow at the end of



year three. The balance sheet that follows is a projection of assets, liabilities, and equities of the company at the end of each fiscal year, and verifies the statement of cash flows with the proof that  $\text{assets} = \text{liabilities} + \text{equity}$ .

Table 4-11: Income Statement

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Sales – Meals	269,115.00	\$352,275	\$435,501
Sales – Drinks	48,930.00	\$64,050	\$79,182
Sales – Other	20,388.00	\$26,688	\$32,993
Total Sales	338,433.00	\$443,013	\$547,676
<b>COGS</b>	113,940.00	125,940	\$137,940
<b>Gross Margin</b>	224,493.00	317,073.00	409,736.00
Advertising	6,500.00	6,500.00	6,500.00
Contract Labor	4,000.00	0.00	0.00
Loan Interest	12,000.00	8,304.00	4,312.00
Office Expenses	5,500.00	4,300.00	4,300.00
Operating Supplies	1,343.00	1,343.00	1,343.00
Professional Fees	4,000.00	0.00	0.00
Rent	38,325.00	38,325.00	38,325.00
Utilities	24,000.00	24,000.00	24,000.00
Wages	220,400.00	230,400.00	241,400.00
Depreciation	3,914.90	3,914.90	3,914.90
<b>Total Expenses</b>	316,068.00	313,172.00	320,180.00
Gain on Sale of Assets	0.00	\$0.00	\$0.00
<b>Net income</b>	(91,575.00)	3,901.00	89,556.00

Table 4-12: Cash flows

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Net income	(91,575.00)	3,901.00	89,556.00
Add depreciation	3,915.00	3,915.00	3,915.00
<i>Decrease/increase in:</i>			
Prepaid expenses	(2,000.00)	0.00	0.00
Inventory	(9,595.00)	(1,000.00)	(2,000.00)
<i>Purchase/Sale of:</i>			
PP&E	(78,298.00)	0.00	0.00
<i>Increase/decrease in:</i>			
Loan Payment	(46,205.00)	(49,901.00)	(49,582.00)
Loan Payable			
Borrowing	150,000.00	0.00	0.00
Capital Stock	75,000.00	0.00	0.00
Change to cash	1,242.00	(43,085.00)	41,889.00
Beginning cash	0.00	1,242.00	(41,843.00)
<b>Ending cash</b>	1,242.00	(41,843.00)	46.00

Table 4-13: Balance Sheet

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Cash	1,242.00	(41,843.00)	46.00
Prepaid expenses	2,000.00	2,000.00	2,000.00
Inventory	9,595.00	10,595.00	12,595.00
Fixed Assets	74,383.00	70,468.00	66,553.00
<b>Total Assets</b>	87,220.00	41,220.00	81,194.00
Loan Payable	103,795.00	53,894.00	4,312.00
Capital Stock	75,000.00	75,000.00	75,000.00
Retained earnings	(91,575.00)	(87,674.00)	1,882.00
<b>Total Liabilities and Equity</b>	87,220.00	41,220.00	81,194.00

Finally, the breakeven analysis calculates the point is the point at which the company's expenses exactly match the sales or service volume, the breakeven point. Costs are split into the categories of direct costs, those directly associated with sales volume, and indirect costs, those that remain the same over the range of sales. These numbers are used to determine the direct and indirect costs per unit, which allow the number of units to cover these costs to be calculated. The sum of these units is the breakeven point.

Table 4-14: Breakeven analysis

**Indirect Costs**

Advertising	19,500.00
Contract Labor	4,000.00
Loan Interest	24,616.00
Office Expenses	14,100.00
Professional Fees	4,000.00
Rent	114,975.00
Utilities	72,000.00
Indirect labor	409,000.00
Depreciation	11,744.70

**Direct Costs**

Operating expenses	4,029.00
Perishable inventory	377,820.00
Direct labor	283,200.00

**# of products sold**

Meals	96,081
Drinks	48,041
Other	16,014
<b>Total Sales</b>	<b>160,135</b>

**average sales price per unit**

\$8

<b>Direct cost per unit</b>	<b>\$4.15</b>
<b>Indirect cost per unit</b>	<b>\$4.21</b>
<b>Total cost per unit</b>	<b>\$8.36</b>

**Breakeven point**

# of units to cover direct costs	83132
# of units to cover indirect costs	84242
<b>Total # of units to reach breakeven point</b>	167374

According to this financial analysis Joobalance fails to not only generate a profit, but break even by the end of its third year of operations.

## Chapter 5

### **SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS**

#### Summary

The author created a bare bones business plan, and included a thorough SWOT analysis, which was further examined by a Quantitative Strategic Planning Matrix, as well as a financial analysis that investigated three years of business operations. While the plan was hypothetical, many details used were real. The location for the restaurant was selected from property listings on showcase.com. All costs associated with running the restaurant are accurate according to prices listed on websites, such as restaurantequipment.com, and provided by grocery stores and food distributors. Following the SWOT analysis a competitive analysis compared all the local competition in San Luis Obispo, California to the hypothetical restaurant, Joobalance. Lastly, the author compiled all necessary startup costs and generated a thirty-six month sales forecast to produce the necessary data to create an income statement, statement of cash flows, balance sheet, and to perform a breakeven analysis. By satisfying all the objectives, the hypothesis was not supported as Joobalance failed to break even by the third year of operations.

#### Conclusions

After looking back on all the research done it seems as though the business plan is essential to running a successful business. It is very helpful in getting the business started and

helping find the potential customer base. However, the financial analysis at the end of the project is still the most important factor in opening up any business. A financial analysis can show what a business owner can expect to gain or lose. According to the financial forecast, Joobalance will see a strong increase in sales during its second and third years of operation, but will still fail to break even by the end of year three. The problem statement was to determine if it is feasible to open an organic restaurant in San Luis Obispo. After looking at the financials it appears that at this time it is not feasible to open an organic restaurant.

### Recommendations

After completing this study I believe that an organic restaurant this day and age would be a great business move for anyone interested. However, it is not going to be an easy job as there are higher costs associated with running this type of restaurant when compared to one that serves conventional, non-organic food. It is entirely possible to have a successful restaurant by the end of its third year of operations, but this would require some changes in the methodology. The planning phase would require a much more in depth look into the financial analysis: different distributors and suppliers could be found, alternative funding could be utilized, payroll can be altered, and different fixed assets could be obtained. The time constraint experienced could be seen as a major limitation of the study. For anyone interested in developing an organic restaurant I recommend a business plan with much more detail than the bare bones format used in this study. For anyone interested in expanding, or continuing, research on this topic I recommend taking the 2010 sales of organic food into consideration, as well as a much more detailed look into the growing consumer market for organic food.

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## **APPENDIX**

### **Business Plan: Joobalance**

#### **Plan outline**

- 1.0 Executive summary
  - 1.1 Mission statement
  - 1.2 Objectives
  - 1.3 Keys to success
- 2.0 Company summary
  - 2.1 Ownership
  - 2.2 Start-up summary
- 3.0 Products and services
  - 3.1 Organic
  - 3.2 Services
- 4.0 Market summary
  - 4.1 Market segmentation
- 5.0 Strategy
  - 5.1 SWOT analysis
  - 5.2 SWOT matrix
  - 5.3 QSPM
- 6.0 Management summary
- 7.0 Financial planning
  - 7.1 Sales forecast
  - 7.2 Financial Documents
  - 7.3 Breakeven Analysis

## **1.0 Executive summary**

Joobalance is a new healthy, organic restaurant chain inspired by the newly increasing health conscious attitudes of Americans, planting its roots in California. Joobalance uses the freshest organic produce and lean cuts of meat to provide our customers with meals of high nutritional value inspired by cultures across the globe. Our beverage selection is limited, consisting of made to order smoothies, bottled water, and juices. Every meal is freshly prepared for customers, meeting the individual dietary needs and preferences of each one. While this may take longer to prepare than some restaurants, we want our customers to believe we're "Worth the wait." Our location offers a relaxing atmosphere for customers to enjoy their meal, or the option of takeout, delivery, and even catering for special events.

After using [www.showcase.com](http://www.showcase.com) to view available property in the Central Coast, the first location was chosen to be 728 Marsh Street in San Luis Obispo, a location that gives the restaurant a strong chance for success. The location's potential lies in the fact it is a heavily trafficked area, downtown San Luis Obispo. This retail lot is 1,825 square feet and is available for rent at \$21 per square foot per year, \$38,325 per year.

At Joobalance, we care as much about our customer's health as we do the environment. Our building will be LEED certified, commonly known as "green," using sustainable, resource efficient models of renovation and operation. Green buildings are designed to reduce the overall impact of the built environment on human health and the natural environment by: efficiently using energy, water, and other resources; protecting occupant health and improving employee productivity; and reducing waste, pollution and environmental degradation.

Strong community ties and support are important to Joobalance. The majority of food to be used comes from local suppliers along the central coast, even using products of California Polytechnic State's organic farm. Our employees are driven by a passion for the food they are serving while trained in providing the highest level of customer service to make each individual experience enjoyable.

As founder of the restaurant I will oversee all operations and business decisions, but will have the aid of assistant managers, a marketing team, and accountant. We have broken the population down into age demographics and formulated strategies to boost sales with each key group to ensure success. While our strategic analysis indicates Joobalance can overcome its competitors, the financial analysis indicates we will fail to break even by the end of the third year. At this point we will most likely seek out additional funding, including an additional, the sales forecast and financial documents indicate that by the end of the fourth year the restaurant should be quite successful.

## **1.1 Mission statement**

Our mission is to provide a unique, healthy, delicious dining experience from environmentally sustainable locations while our employees ensure customers always receive exceptional, consistent service.

## **1.2 Objectives**

The main objective of Joobalance is to become the premier organic restaurant chain in the market, turning a profit and opening a new location within three years.

## **1.3 Keys to success**

Our keys to success lie in the creation of a unique and innovative dining atmosphere that will differentiate Joobalance from the competition (i.e. the restaurant will stand out because of a unique design and décor.) Product quality will be a main point of focus. Not only will great food be served, but exceptional service and atmosphere will also be provided. The menu will appeal to multiple groups of clientele, featuring a variety of cuisines. Most importantly, cost will be controlled at all times without exceptions.

## **2.0 Company summary**

Joobalance will feature a menu with widely influenced cuisine that gives customers a freshly cooked meal that is both savory and nutritious. To make customers aware of the benefits of a fit diet, nutritional “fun” facts will be featured throughout the restaurant from wrappers to the typical bathroom wall graffiti. The menu should not only appeal to the growing health conscious group of Americans, but all food lovers.

Joobalance will offer lunch and dinner with the options of take-out, delivery, and catering for larger scaled events. We will be open seven days a week from 11:00 AM – 7:00 PM, depending on the restaurant’s success the hours of operation are subject to change. We will be closed for major holidays like New Years Day, Thanksgiving, and Christmas as well as Memorial Day, Fourth of July and Labor Day weekend. During these times, many students in San Luis Obispo leave for long weekends. With a major portion of our customers out of the area, it would be more beneficial to close down.

The restaurant interior will feature paintings and drawings of pop culture scenes with music that provides a relaxing, social vibe. Local artists, students or not, will be welcome to put their own art, music, or other talents on display, giving the community an opportunity to show their work in a friendly and exciting atmosphere. Special invitations and announcements will be distributed for the opening day, and other special events we host, both personally and over the popular social networking websites such as facebook, MySpace, and twitter.

To show customers that their opinions matter, we will be asking them to vote on the menu items they prefer and those they dislike in the opening weeks. This will allow us to establish a solid menu that is appealing to every customer stepping foot in the restaurant.

Due to intense competition, restaurateurs must look for ways to differentiate their place of business in order to achieve and maintain a competitive advantage. As the founder of Joobalance I took this into consideration, designing a unique look and environment that is both sophisticated

and entertaining. The fact that no other restaurants in the area have a similar concept presents us with a window of opportunity and an entrance into a profitable market niche.

2.1 Company ownership

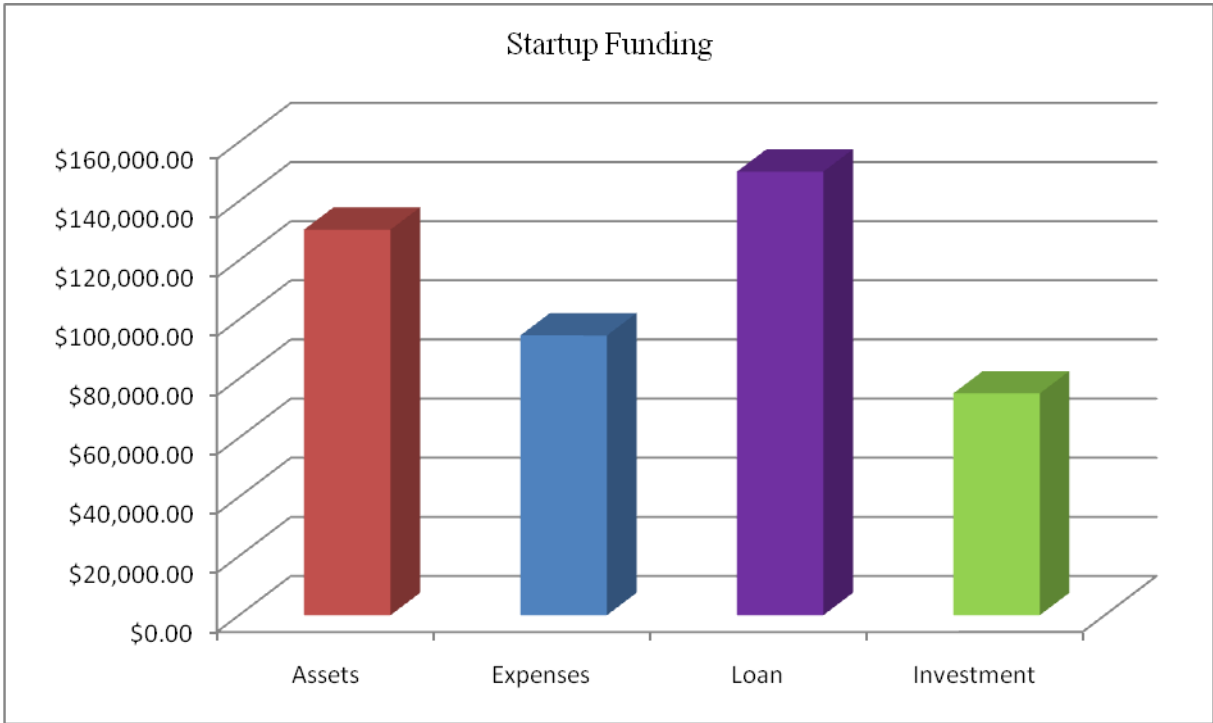
The restaurant will be established as a sole proprietorship initially. Investors will be sought out when expansion becomes the desired goal.

2.2 Start-up summary

Joobalance is a sole proprietorship. While working in the restaurant, I will be split between building customer relationships and spending time in the kitchen. An accountant will focus on the control and handling of financial issues while the owner, myself, will be responsible for our personnel.

To help finance the start-up of this restaurant I plan on a \$150,000 SBA 7(a) loan at an interest rate of 8% and funding the remainder of start-up needs with my personal savings.

Start-up funds:



Startup Funding

Startup assets

Cash and cash equivalents	52,089.00
Leasehold improvements	4,000.00

Equipment	60,050.00
Fixtures	11,748.00
24V Sunwize wind turbine	734.00
Mirage - Nanosat 5.0 Speaker System	550.00
LG - 55" / 1080p / 120Hz / LED-LCD HDTV	1,930.00
2 year protection plan	230.00
Full-Motion Wall Mount	750.00
Geek squad installation	200.00
42 inch wall style booth x 4	2,276.00
4 seat island cluster seating x 2	1,822.00
Cluster unit (6 -8 seats) x 2	3,256.00
Website (flash website)	2,500.00
<b>Total Start-up Assets</b>	<b>130,387.00</b>

*Startup expenses:*

Business license	2,000.00
Rent	38,325.00
Food inventory	9,595.00
Advertising budget	6,500.00
Office/Miscellaneous Expenses (cleaning supplies, uniforms, paper rolls, etc.)	5,500.00
Pre-opening Labor-staff/Mgmt/Trainers	4,000.00
Customer needs (i.e. silverware, china, napkins, etc.)	1,343.00
Payroll	25,350.00
Utilities	2,000.00
<b>Total start-up expenses</b>	<b>94,613.00</b>

*Liabilities:*

Long term liabilities	150,000.00
<b>Total liabilities</b>	<b>150,000.00</b>

*Capital:*

planned investment	
Personal	75,000.00
<b>Total planned investment</b>	<b>75,000.00</b>

*Startup Funding:*

Startup assets to fund	130,387.00
Startup expenses to fund	94,613.00
<b>Total funding required</b>	<b>225,000.00</b>

*Startup funds:*

Total capital	75,000.00
Total liabilities	150,000.00
<hr/>	
Total funds	225,000.00

### **3.0 Products and Services:**

The combination of organic products, the atmosphere, and the environment are what make this restaurant stand out among its competitors.

#### **3.1 Organic**

Joobalance, as previously mentioned, provides freshly cooked meals and blended smoothies from organic ingredients. The manager of New Frontiers Marketplace, a local organic grocery store provided guidance to the organic food distributor UNFI, United Natural Foods, Inc. “UNFI is the leading independent national distributor of natural, organic and specialty foods in the United States.... The product selection includes a broad array of natural and organic groceries, frozen, and perishable foods.” This distributor, the New Frontiers Marketplace, and the Cal Poly Organic Farm provides Joobalance with every ingredient from herbs and spices to fruit, vegetables, and proteins.

There are many benefits to eating organic: higher nutrient levels, lower pesticide residues, and the absence of food additives, such as artificial sweeteners, colorings and flavorings, MSG, and hydrogenated fat. When compared to conventional food, organic has more dry matter on a pound-for-pound basis, providing higher nutrient levels. Research by American nutritionist Virginia Worthington has shown that the differences in organic foods can be enough to help individuals achieve the recommended daily allowance for certain nutrients that they otherwise may not get. Phytonutrients, plant compounds thought to have health-protecting attributes such as antioxidant, immune boosting, and others, are also higher in organic produce. This is because there is not a regular application of chemical pesticides and the plant must rely on increased production of these compounds within itself. Organic produce will contain 10-50% higher phytonutrients than conventional produce.

Consuming organic foods is not the only way to increase nutrient consumption, but it may be the safest. It is reported that pesticide residues in conventional foods are known to be safe and within acceptable health limits. However, food monitoring programs are constantly showing that nearly one in three non-organic food samples tested contain a variety of pesticide residues, at levels higher than those being found in and on organic produce. Most pesticide residue safety levels are set for individual pesticides, but most fresh produce can carry multiple pesticides that can have negative impacts on the reproductive, immune, and nervous systems.

Besides our own personal health, organic foods are also contributing to the health of the environment in which we live. Harmful chemicals are not used in organic farming. There is minimal soil, air, and water pollution, ensuring a safer world for our future generations to live in.

Dr. Vyvyan Howard, a toxico-pathologist at the University of Liverpool, voiced her opinion on the move towards organic food by the new, and growing, health conscious market segment: "People are applying the precautionary principle to their own lives by purchasing food that has not been produced by industrial methods. From the simple stance of hazard avoidance, organically produced food is the best option that we have."

### 3.2 Services

At Joobalance, one of our goals is to accommodate every customer's needs. We will have a fully functional flash website where they may read about the restaurant and what we hope to accomplish, listen to and view the work of featured artists, or simply place orders for pick-up and delivery with an estimated wait time and digital receipt provided. For those customers that prefer to sit and dine inside the restaurant, they can enjoy music while watching anything ranging from international sports to movies to the food network. Our atmosphere makes Joobalance a place people will want to be even when they are not hungry.

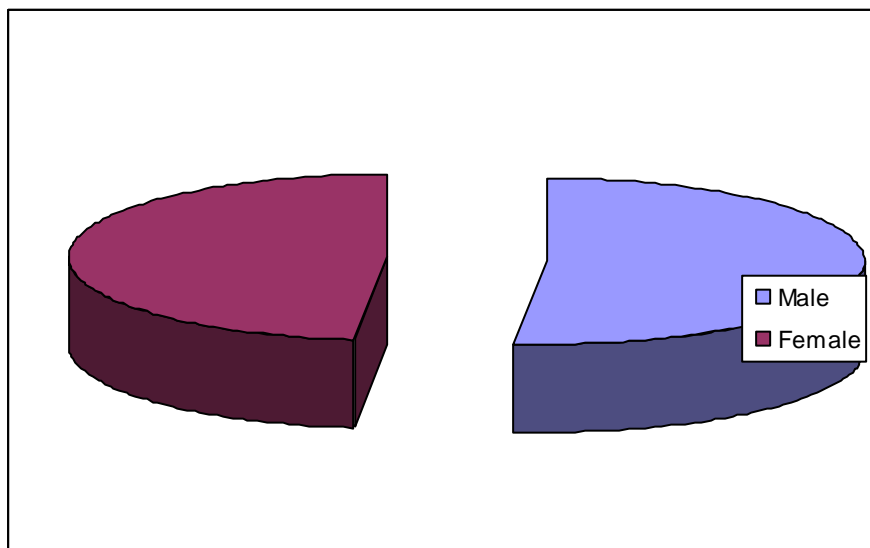
### 4.0 Market summary

As the founder of Joobalance, I feel I have a good understanding of the accessible market in San Luis Obispo having spent six years in the relatively small college town.

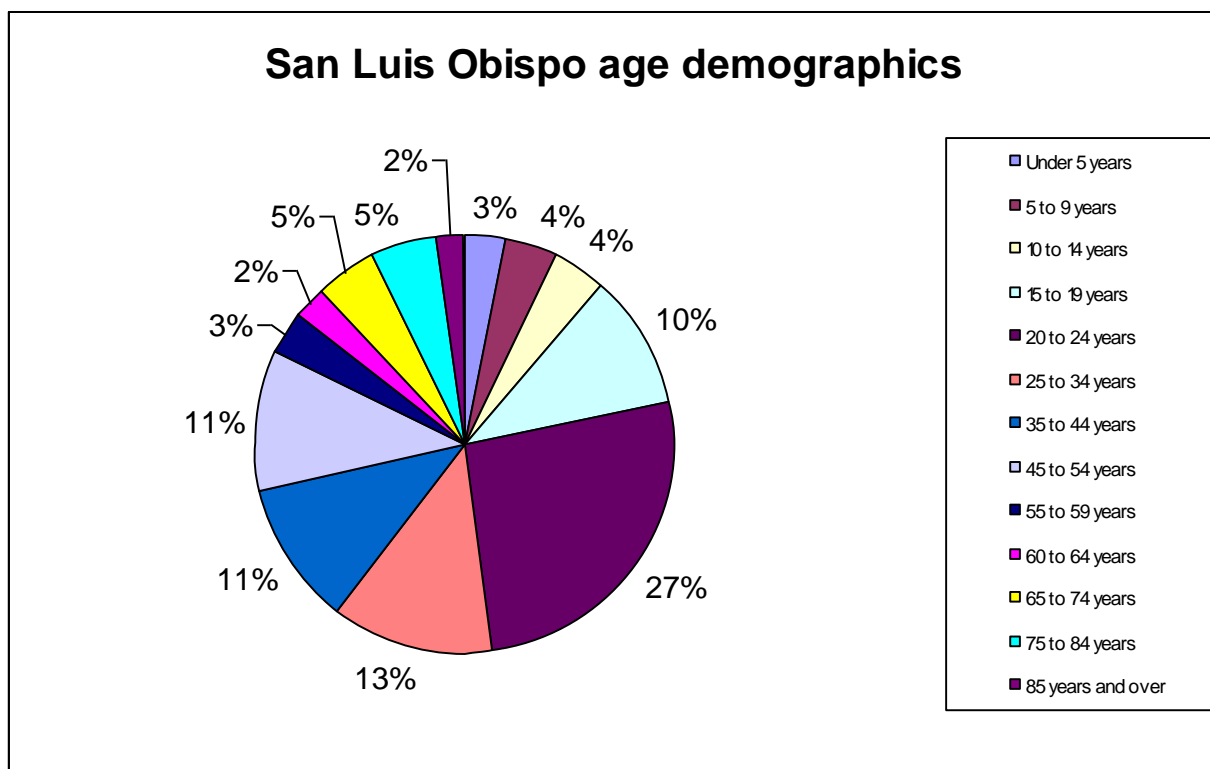
#### 4.1 Market Segmentation

Using available census data, the population of San Luis Obispo can be broken down as follows:

The gender proportion is relatively equal with 1.06 males per female.



The age groups of San Luis Obispo have a much more significant divide:



This graph shows that the key market demographic in San Luis Obispo will be the college students (20 to 24 years old) that make up over a quarter of the town's population. There are currently two institutions of higher learning in San Luis Obispo: California Polytechnic State University and Cuesta Community College. As of Fall 2007 the enrollment at CPSU was near 20,000 and Cuesta had just over 11,000 students. The taste of the food and atmosphere is meant to appeal to this younger demographic. High school students of the area (15 to 19 years) will also be indirectly marketed to by these same elements, furthering our customer base and increasing revenue.

The combined age groups of adults (25 to 34, 35 to 44, and 45 to 54) working in the San Luis Obispo area makes up 33% of the population, an even larger proportion than the college age group. This demographic will be very important in achieving success as there is more disposable income available when compared to the college students. Engel's Law states, "As income rises, the *proportion* of income spent on food falls, even if *actual* expenditure on food rises." Accompanying this change, the quality of food on which income is spent rises; this is typically where the move to organic food takes place because the bundle of characteristics with which the customer is concerned increases.

Assuming we are able to appeal to 25-35% of the population within these groups the ideal growth we would like to achieve over the years in these demographics is shown below. Over the years we are open it is even possible that the growth rates may increase, or decrease, for certain age groups. However, we would like to keep the growth of the 20 to 24 year old demographic within a range of 10-15% as they are the most important group of customers.



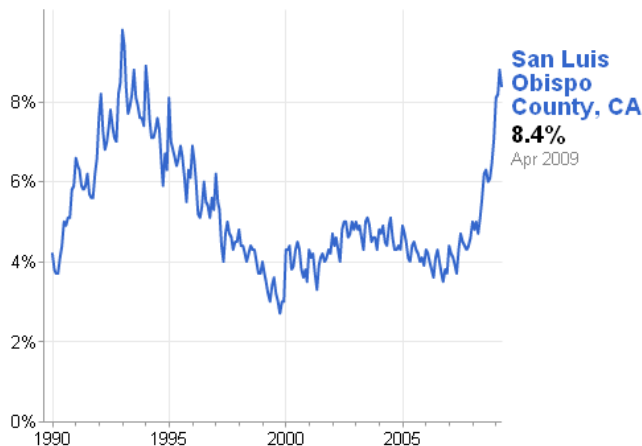
Demographic	Initial # of potential customers	Desired Annual Growth Rate	Year 1	Year 2	Year 3
15 to 19 years	1,120	8.00%	1210	1306	1411
20 to 24 years	3,400	12.00%	3808	4265	4777
25 to 34 years	1,370	8.00%	1480	1598	1726
35 to 44 years	1,340	7.00%	1434	1534	1642
45 to 54 years	1,100	7.00%	1177	1259	1348
55 to 59 years	500	6.00%	530	562	596
60 to 64 years	150	4.00%	156	162	169

While these demographics are important to our success, there are other market segments to be considered where age becomes unimportant: health conscious individuals, people on diets, “foodies,” etc. By combining our care, willingness to cater to special dietary needs, and the quality of our food, these groups can be satisfied.

The large unemployment rate of California may interfere with a willingness to dine out. Currently in San Luis Obispo the median household income is nearly \$50,000, with an unemployment rate of 8.4%.

#### Unemployment rate

The percent of the labor force that is unemployed, not seasonally adjusted.



The trend in the unemployment graph shows a spike just before April 2009 and it appears to be declining, which is not just ideal for the restaurant, but for the economy.

## 5.0 Strategy

A SWOT analysis was performed to determine how Joobalance would perform in the market with possible weaknesses and threats posing as opposition to success.

### 5.1 SWOT analysis

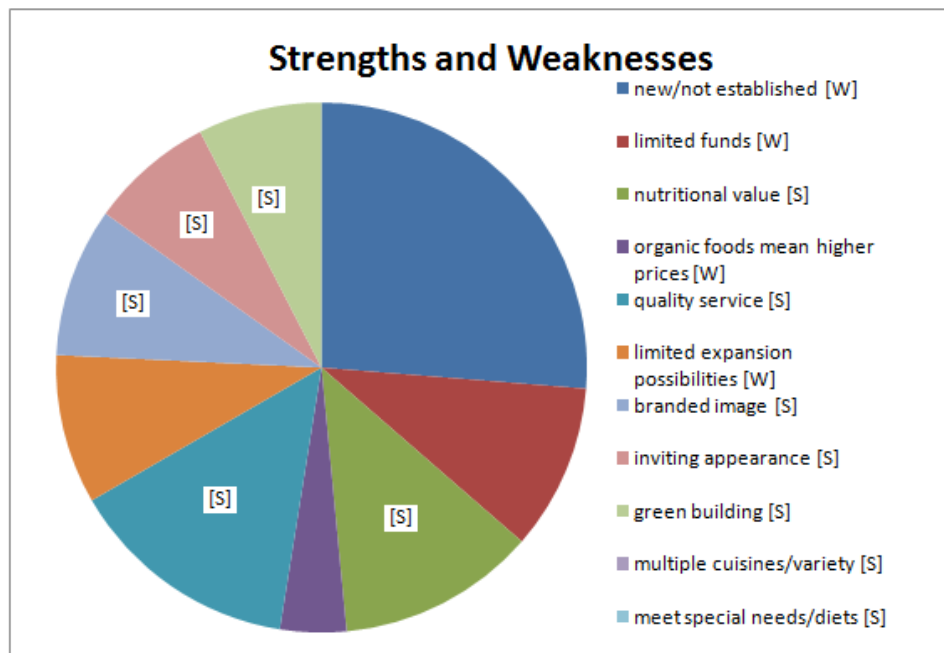
The strengths, weaknesses, opportunities, and threats of Joobalance are listed below along with their weighted impact on our mission.

Rating	Strengths:	Wgt	Wgt Score
3	multiple cuisines/variety	5%	0.15
3	inviting appearance	6%	0.18
4	branded image	7%	0.28
3	quality service	8%	0.24
4	nutritional value	13%	0.52
3	meet special needs/diets	5%	0.15
3	green building	6%	0.18
<u>2.5556</u>		<u>50.00%</u>	

Rating	Weaknesses:	Wgt	Wgt Score
4	new/not established	18%	0.72
3	limited funds	14%	0.36
2	organic foods mean higher prices	10%	0.2
1	limited expansion possibilities	8%	0.08
<u>2</u>		<u>50.00%</u>	

	rating	Strengths and Weaknesses	wgt	wgt score	
W	4	new/not established [W]	18%	0.72	0.2307692
W	3	limited funds [W]	14%	0.42	0.1346154
S	4	nutritional value [S]	13%	0.52	0.1666667
W	2	organic foods mean higher prices [W]	10%	0.2	0.0641026
S	3	quality service [S]	8%	0.24	0.0769231
W	1	limited expansion possibilities [W]	8%	0.08	0.025641
S	4	branded image [S]	7%	0.28	0.0897436
S	3	inviting appearance [S]	6%	0.18	0.0576923
S	3	green building [S]	6%	0.18	0.0576923
S	3	multiple cuisines/variety [S]	5%	0.15	0.0480769

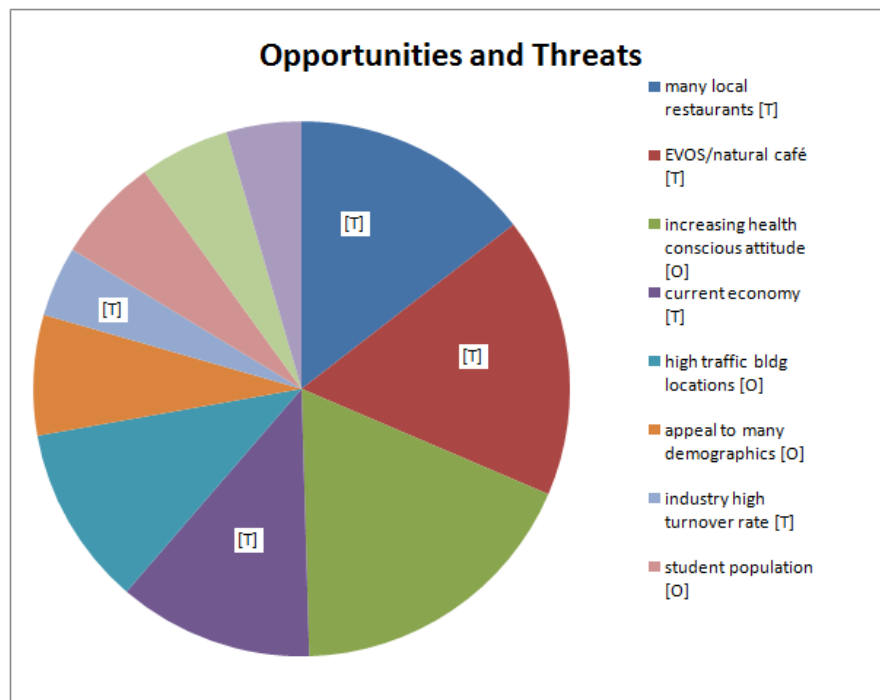
S	3	meet special needs/diets [S]	5%	0.15	0.0480769
			100%	3.12	



rating	Opportunities:	wgt	wgt score
3	student population	7%	0.21
4	increasing health conscious attitude	15%	0.4
3	cal poly organic farm	5%	0.15
3	appeal to many demographics	8%	0.24
3	central coast suppliers	6%	0.18
4	high traffic bldg locations	9%	0.36
2.5		50.00%	

rating	Threats:	wgt	wgt score
3	many local restaurants	16%	0.48
3	current economy	13%	0.3
2	industry high turnover rate	7%	0.14
4	EVOS/natural café	14%	0.56
2.4		50.00%	

	rating	Opportunities and Threats:	wgt	wgt score	
T	3	many local restaurants [T]	16%	0.48	0.1450151
T	4	EVOS/natural café [T]	14%	0.56	0.1691843
O	4	increasing health conscious attitude [O]	15%	0.6	0.1812689
T	3	current economy [T]	13%	0.39	0.1178248
O	4	high traffic bldg locations [O]	9%	0.36	0.1087613
O	3	appeal to many demographics [O]	8%	0.24	0.0725076
T	2	industry high turnover rate [T]	7%	0.14	0.0422961
O	3	student population [O]	7%	0.21	0.0634441
O	3	central coast suppliers [O]	6%	0.18	0.0543807
O	3	cal poly organic farm [O]	5%	0.15	0.0453172
			100%	3.31	



## 5.2 SWOT matrix

After analyzing our SWOT data the following strategies were formulated to take advantage of our strengths and available opportunities, while at the same time overcoming threats and our weaknesses.

	Strengths	Weaknesses
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>• interactive website (feature menu, company information, and order placing)</li> <li>• integrate pop culture to appeal to students</li> <li>• informative "fun" health facts on food wrappers/containers</li> <li>• advertise with branded image to gain recognition</li> <li>• community ties evident (support Cal Poly)</li> </ul>	<ul style="list-style-type: none"> <li>• establish a student following, coupons distributed on campus/WOW week</li> <li>• advertise the value of the meal "worth the wait"</li> <li>• profitability of location can produce funds for expansion</li> <li>• buying from local suppliers decreases costs</li> </ul>
<b>Threats</b>	<ul style="list-style-type: none"> <li>• more diverse selection than competitors</li> <li>• employees are passionate about the food, reducing turnover</li> <li>• work to make inner appearance more appealing than competitors, pop culture</li> </ul>	<ul style="list-style-type: none"> <li>• offer coupons/savings to work with the economy</li> <li>• organize a social event for the opening, using Cal Poly students</li> <li>• student discounts/specials</li> </ul>

As mentioned earlier, our primary focus is the growing health conscious group of Americans, to appeal to them and give them an understanding of the benefits Joobalance offers. This will be accomplished through informative health facts featured throughout the restaurant in various places. To establish our student following, we will distribute coupons, have special offers, and advertise heavily during Cal Poly's introductory WOW week, typically the time when old students return from summer vacation and the new freshman class arrives and gets to know the area through this unique program. To overcome the threats presented by other restaurants in San Luis Obispo, Joobalance will feature a wide array of food choices in a unique, inviting environment.

### 5.3 Quantitative Strategic Planning Matrix

Various goals were set to make this organic restaurant a success, the three most appealing were discussed and analyzed using the following Quantitative Strategic Planning Matrix.

Quantitative Strategic Planning Matrix							
		expansion		overcome competitors		community outreach	
Strengths	Wgt	AS	Wgt Avg	AS	Wgt Avg	AS	Wgt Avg
[S1] multiple cuisines/variety	5%	0	0	3	0.15	0	0
[S2] inviting	6%	0	0	3	0.18	3	0.18
[S3] branded image	7%	4	0.28	4	0.28	3	0.21
[S4] quality service	8%	2	0.16	4	0.32	4	0.32
[S5] nutritional value	11%	3	0.33	3	0.33	1	0.11
[S6] green building	6%	0	0	0	0	4	0.24
<b>Weaknesses</b>							
[W1] new/not established	16%	3	0.48	4	0.64	3	0.48
[W2] limited funds	12%	4	0.48	2	0.24	1	0.12
[W3] organic foods mean higher prices	10%	0	0	0	0	0	0
[W4] limited expansion possibilities	8%	4	0.32	2	0.16	0	0
<b>Opportunities</b>							
[O1] student population	7%	2	0.14	3	0.42	3	0.42
[O2] increasing health conscious attitude	10%	3	0.3	3	0.3	1	0.1
[O3] cal poly organic farm	5%	0	0	0	0	3	0.15
[O4] appeal to many demographics	8%	1	0.08	4	0.32	2	0.16
[O5] central coast suppliers	6%	0	0	0	0	2	0.12
[O6] high traffic bldg locations	9%	3	0.27	3	0.27	1	0.09
<b>Threats</b>							
[T1] many local restaurants	16%	1	0.16	4	0.64	3	0.48
[T2] current economy	10%	4	0.4	2	0.2	1	0.1
[T3] industry high turnover rate	7%	0	0	0	0	0	0
[T4] EVOS/natural café	14%	2	0.28	2	0.28	2	0.28
<b>Strategic score</b>			3.68	<	4.58	>	3.56
<b>Strategic score ratio</b>			1.046961	<	1.301104972	>	1

Using the tabulated data above, the goal Joobalance will be focused on is overcoming competitors in the market. San Luis Obispo has many restaurants competing for success, T1, but the direct competition for Joobalance comes from EVOS and Natural Café, T4. EVOS is a “healthy and environmentally sound fast food chain” located on South Higuera in San Luis Obispo. While taking a similar stance on health and providing customers with organic ingredients, EVOS’ short coming is the lack of variety and creativity in the menu, only offering a small choice of burgers, wraps, and salads. The variety of food offered by Joobalance is considered one of its top strengths, S1. Regarding its presentation, the restaurant is somewhat similar to Joobalance from a decorative interior to sustainable daily practices. Joobalance’s location, O6, and its menu give it the competitive advantage in this situation.

"The Natural Café is focused on using fresh, regional ingredients to create healthy and delicious food. We're committed to providing a good value for your health and your budget." Joobalance overcomes this competitor in a somewhat opposite manner as the menu of Natural Café is similar. We will depend on the restaurant’s atmosphere and service, S2/S4, to give customers a significantly different and more enjoyable experience. Joobalance is also making more of an effort to live sustainably, S6. The website for Natural Café does make some quality suggestions for how to “live green,” but the restaurant itself only recycles to make an impact. EVOS and Natural Café have a slight advantage as they are not affected by W1, 2, and 4 because they have already been operating and possess multiple locations, across both California and the country.

All three of these restaurants face the same threats - T1, T2, and T3. However, EVOS does not handle them as well as Natural Café and Joobalance. The same opportunities exist for all restaurants, but EVOS and Natural Café only capitalize on O2. The three competitors share S2,3,4, and 5, however, at Joobalance the effort is made to go above and beyond what other restaurants in San Luis Obispo can offer, making it a top competitor for any restaurant in the area. A closer look was taken at these competitors, analyzing them with Joobalance’s SWOT charts. The competitive analysis produced the following data:

Joobalance Competitive Profile Matrices								
Strengths and Weaknesses								
				Joobalance		EVOS		Nautral Café
	Critical Success Factors	Weight	Rating	Weighted Score	Rating	Weighted Score	Rating	Weighted Score
W	new/not established	18%	4	0.72	2	0.36	2	0.36
W	limited funds	14%	3	0.42	3	0.42	4	0.56
S	nutritional value	13%	4	0.52	4	0.52	4	0.52
W	organic foods mean higher prices	10%	2	0.2	3	0.3	3	0.3
S	quality service	8%	3	0.24	3	0.24	3	0.24
W	limited expansion possibilities	8%	1	0.08	4	0.32	3	0.24
S	branded image	7%	4	0.28	3	0.21	3	0.21
S	inviting appearance	6%	3	0.18	3	0.18	4	0.24
S	green building	6%	3	0.18	1	0.06	2	0.12
S	multiple cuisines/variety	5%	3	0.15	1	0.05	3	0.15
S	meet special needs/diets	5%	3	0.15	2	0.1	3	0.15
		100%		3.12		2.76		3.09
Opportunities and Threats								
				Joobalance		EVOS		Nautral Café
	Critical Success Factors	Weight	Rating	Weighted Score	Rating	Weighted Score	Rating	Weighted Score
T	many local restaurants	16%	3	0.48	1	0.16	3	0.48
T	EVOS/natural café	14%	4	0.56	2	0.28	3	0.42
O	increasing health conscious attitude	15%	4	0.6	4	0.6	4	0.6
T	current economy	13%	3	0.39	2	0.26	3	0.39
O	high traffic bldg locations	9%	4	0.36	1	0.09	4	0.36
O	appeal to many demographics	8%	3	0.24	2	0.16	2	0.16
T	industry high turnover rate	7%	2	0.14	2	0.14	3	0.21
O	student population	7%	3	0.21	2	0.14	3	0.21
O	central coast suppliers	6%	3	0.18	3	0.18	3	0.18
O	cal poly organic farm	5%	3	0.15	1	0.05	1	0.05
		100%		3.31		2.06		3.06

## 6.0 Management summary

Joobalance will be starting as a small business, so employee costs will be kept to a minimum. Positions to be filled include cashiers, bussers, line cooks, dishwashers/kitchen aid, and chefs. The founder will act as an overall manager, approving all hires and financial decisions. Assistant managers may be needed eventually to handle personnel, most day to day finances, and more importantly, the customers during the owner's absence. An accountant and marketing team will be hired and work separate from other restaurant employees. Annual salaries will be paid to an accountant and the owner. All other employees will be compensated using hourly rates for their specific job function. Hourly rates will be paid according to California Labor Code section 310: "Any work in excess of eight hours in one workday and any work in excess of 40 hours in one workweek and the first eight hours worked on the seventh day of work in any one workweek shall be at the rate of one and one-half times the regular rate of pay. Any work in excess of 12 hours in one day and any work in excess of eight hours on any seventh day of a workweek shall be paid no less than twice the regular rate of pay (U.S. Department of Labor 2010)."



	Pay rate per hour	Year 1	Year 1 per month	Year 2	Year 2 per month	Year 3	Year 3 per month
Owner/founder	Salary	40,000.00	3,333.33	45,000.00	3,750.00	50,000.00	4,166.67
Cashiers/Bussers (3)	8.00	60,000.00	5,000.00	61,000.00	5,083.33	62,000.00	5,166.67
Line/Prep Cooks (2)	10.00	42,000.00	3,500.00	43,000.00	3,583.33	44,000.00	3,666.67
Chefs (2)	12.00	50,400.00	4,200.00	51,400.00	4,283.33	52,400.00	4,366.67
Accountant	Salary	28,000.00	2,333.33	30,000.00	2,500.00	33,000.00	2,750.00
Total Payroll		220,400.00	18,366.67	230,400.00	19,200.00	241,400.00	20,116.67

## 7.0 Financial Planning

Our main goal, like any other business, is to turn a profit. The prediction is for a steadily increasing sales volume, month by month, and year by year.

### 7.1 Sales forecast

When forecasting sales and financial documents, we factored in an estimated cost that the restaurant faces each year based on payroll, food supply, loan payments, rent, and utilities. It is probable that actual costs encountered will be higher than these estimated values. All financial statements are based off of the following thirty-six month sales forecast.

Year 1 Sales	January	February	March	April	May	June	July	August	September	October	November	December
Meals (units)	1,750	1,803	1,855	1,908	1,960	2,013	2,065	2,118	2,170	2,223	2,275	2,328
	\$19,250.00	\$19,827.50	\$20,405.00	\$20,982.50	\$21,560.00	\$22,137.50	\$22,715.00	\$23,292.50	\$23,870.00	\$24,447.50	\$25,025.00	\$25,602.50
Drinks (units)	875	901	928	954	980	1006	1033	1059	1085	1111	1138	1164
	\$3,500.00	\$3,605.00	\$3,710.00	\$3,815.00	\$3,920.00	\$4,025.00	\$4,130.00	\$4,235.00	\$4,340.00	\$4,445.00	\$4,550.00	\$4,655.00
Other (units)	292	300	309	318	327	335	344	353	362	370	379	388
	\$1,458.33	\$1,502.08	\$1,545.83	\$1,589.58	\$1,633.33	\$1,677.08	\$1,720.83	\$1,764.58	\$1,808.33	\$1,852.08	\$1,895.83	\$1,939.58
<b>Total units</b>	<b>2885</b>	<b>3004</b>	<b>3092</b>	<b>3179</b>	<b>3267</b>	<b>3354</b>	<b>3442</b>	<b>3529</b>	<b>3617</b>	<b>3704</b>	<b>3792</b>	<b>3879</b>
<b>Total sales</b>	<b>\$24,208.33</b>	<b>\$24,934.58</b>	<b>\$25,660.83</b>	<b>\$26,387.08</b>	<b>\$27,113.33</b>	<b>\$27,839.58</b>	<b>\$28,565.83</b>	<b>\$29,292.08</b>	<b>\$30,018.33</b>	<b>\$30,744.58</b>	<b>\$31,470.83</b>	<b>\$32,197.08</b>
Year 2 Sales	January	February	March	April	May	June	July	August	September	October	November	December
Meals (units)	2380	2433	2485	2538	2590	2643	2695	2748	2800	2853	2905	2958
	\$26,180.00	\$26,757.50	\$27,335.00	\$27,912.50	\$28,490.00	\$29,067.50	\$29,645.00	\$30,222.50	\$30,800.00	\$31,377.50	\$31,955.00	\$32,532.50
Drinks (units)	1190	1216	1243	1269	1295	1321	1348	1374	1400	1426	1453	1479
	\$4,760.00	\$4,865.00	\$4,970.00	\$5,075.00	\$5,180.00	\$5,285.00	\$5,390.00	\$5,495.00	\$5,600.00	\$5,705.00	\$5,810.00	\$5,915.00
Other (units)	397	405	414	423	432	440	449	458	467	475	484	493
	\$1,983.33	\$2,027.08	\$2,070.83	\$2,114.58	\$2,158.33	\$2,202.08	\$2,245.83	\$2,289.58	\$2,333.33	\$2,377.08	\$2,420.83	\$2,464.58
<b>Total units</b>	<b>3967</b>	<b>4054</b>	<b>4142</b>	<b>4229</b>	<b>4317</b>	<b>4404</b>	<b>4492</b>	<b>4579</b>	<b>4667</b>	<b>4754</b>	<b>4842</b>	<b>4929</b>
<b>Total sales</b>	<b>\$32,923.33</b>	<b>\$33,649.58</b>	<b>\$34,375.83</b>	<b>\$35,102.08</b>	<b>\$35,828.33</b>	<b>\$36,554.58</b>	<b>\$37,280.83</b>	<b>\$38,007.08</b>	<b>\$38,733.33</b>	<b>\$39,459.58</b>	<b>\$40,185.83</b>	<b>\$40,912.08</b>
Year 3 Sales	January	February	March	April	May	June	July	August	September	October	November	December
Meals (units)	3011	3063	3116	3168	3221	3273	3326	3378	3431	3483	3536	3588
	\$33,115.50	\$33,693.00	\$34,270.50	\$34,848.00	\$35,425.50	\$36,003.00	\$36,580.50	\$37,158.00	\$37,735.50	\$38,313.00	\$38,890.50	\$39,468.00
Drinks (units)	1505	1532	1558	1584	1610	1637	1663	1689	1715	1742	1768	1794
	\$6,021.00	\$6,126.00	\$6,231.00	\$6,336.00	\$6,441.00	\$6,546.00	\$6,651.00	\$6,756.00	\$6,861.00	\$6,966.00	\$7,071.00	\$7,176.00
Other (units)	502	511	519	528	537	546	554	563	572	581	589	598
	\$2,508.75	\$2,552.50	\$2,596.25	\$2,640.00	\$2,683.75	\$2,727.50	\$2,771.25	\$2,815.00	\$2,858.75	\$2,902.50	\$2,946.25	\$2,990.00
<b>Total units</b>	<b>5018</b>	<b>5105</b>	<b>5193</b>	<b>5280</b>	<b>5368</b>	<b>5455</b>	<b>5543</b>	<b>5630</b>	<b>5718</b>	<b>5805</b>	<b>5893</b>	<b>5980</b>
<b>Total sales</b>	<b>\$41,645.25</b>	<b>\$42,371.50</b>	<b>\$43,097.75</b>	<b>\$43,824.00</b>	<b>\$44,550.25</b>	<b>\$45,276.50</b>	<b>\$46,002.75</b>	<b>\$46,729.00</b>	<b>\$47,455.25</b>	<b>\$48,181.50</b>	<b>\$48,907.75</b>	<b>\$49,634.00</b>

## 7.2 Financial Documents

<i>Income Statement</i>			
	Year 1	Year 2	Year 3
Sales - Meals	269,115.00	\$352,275	\$435,501
Sales - Drinks	48,930.00	\$64,050	\$79,182
Sales - Other	20,388.00	\$26,688	\$32,993
Total Sales	338,433.00	\$443,013	\$547,676
<b>COGS</b>	113,940.00	125,940	\$137,940
Gross Margin	224,493.00	317,073.00	409,736.00
Advertising	6,500.00	6,500.00	6,500.00
Contract Labor	4,000.00	0.00	0.00
Loan Interest	12,000.00	8,304.00	4,312.00
Office Expenses	5,500.00	4,300.00	4,300.00
Operating Supplies	1,343.00	1,343.00	1,343.00
Professional Fees	4,000.00	0.00	0.00
Rent	38,325.00	38,325.00	38,325.00
Utilities	24,000.00	24,000.00	24,000.00
Wages	220,400.00	230,400.00	241,400.00
Depreciation	3,914.90	3,914.90	3,914.90
<b>Total Expenses</b>	316,068.00	313,172.00	320,180.00
Gain on Sale of Assets	0.00	\$0.00	\$0.00
Net income	(91,575.00)	3,901.00	89,556.00

<i>Statement of Cash Flows</i>			
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Net income	(91,575.00)	3,901.00	89,556.00
Add depreciation	3,915.00	3,915.00	3,915.00
Decrease/increase in:			
Prepaid expenses	(2,000.00)	0.00	0.00
Inventory	(9,595.00)	(1,000.00)	(2,000.00)
Purchase/Sale of:			
PP&E	(78,298.00)	0.00	0.00
Increase/decrease in:			
Loan Payment	(46,205.00)	(49,901.00)	(49,582.00)
Loan Payable Borrowing	150,000.00	0.00	0.00
Capital Stock	75,000.00	0.00	0.00
Change to cash	1,242.00	(43,085.00)	41,889.00
Beginning cash	0.00	1,242.00	(41,843.00)
Ending cash	1,242.00	(41,843.00)	46.00

<i>Balance Sheet</i>			
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Cash	1,242.00	(41,843.00)	46.00
Prepaid expenses	2,000.00	2,000.00	2,000.00
Inventory	9,595.00	10,595.00	12,595.00
Fixed Assets	74,383.00	70,468.00	66,553.00
<b>Total Assets</b>	87,220.00	41,220.00	81,194.00
Loan Payable	103,795.00	53,894.00	4,312.00
Capital Stock	75,000.00	75,000.00	75,000.00
Retained earnings	(91,575.00)	(87,674.00)	1,882.00
<b>Total Liabilities and Equity</b>	87,220.00	41,220.00	81,194.00

### 7.3 Breakeven Analysis

<b>Indirect Costs</b>			<b>Direct Costs</b>	
Advertising	19,500.00		Operating expenses	4,029.00
Contract Labor	4,000.00		Perishable inventory	377,820.00
Loan Interest	24,616.00		Direct labor	283,200.00
Office Expenses	14,100.00			
Professional Fees	4,000.00			
Rent	114,975.00			
Utilities	72,000.00			
Indirect labor	409,000.00			
Depreciation	11,744.70			
<b># of products sold</b>				
Meals	96,081			
Drinks	48,041			
Other	16,014			
<b>Total Sales</b>	<b>160,135</b>			
<b>average sales price per unit</b>				
	\$8			
<b>Direct cost per unit</b>	<b>\$4.15</b>			
<b>Indirect cost per unit</b>	<b>\$4.21</b>			
<b>Total cost per unit</b>	<b>\$8.36</b>			
<b>Break even point</b>				
# of units to cover direct costs		83132		
# of units to cover indirect costs		84242		
<b>Total # of units to reach break even point</b>		<b>167374</b>		
Joobalance <b>FAILS</b> to break even				

## Equipment Costs

<b>KITCHEN</b>		<b>SEATING/FLOOR &amp; Customer needs</b>	
Single Tank Door Type Dishwasher	8,132.40	42 inch wall style booth x 4	2,276.00
Spice Shelves	158.76	4 seat island cluster seating x 3	2,733.00
Dishtable Package	2,859.47	Cluster unit (6 -8 seats) x 2	3,256.00
Hand Sink	194.88	1000 piece plastic silverware set	49.95
Shelving Unit	186.79	To-go food containers (200 case) x 2	106.32
Three Compartment, One Drainboard Sink	1,800.00	Bulk silverware (200)	514.95
Worktable	231.25	china dining plate (12) x 5	25.60
Heat lamps	257.85	bowls (36) x 2	268.30
Walk-In Cooler w/Floor	4,740.75	12 oz. cups w/ lid (1000)	88.50
Refrigerated Prep Station	4,944.06	straws (2000)	89.50
Microwave Oven	269.50	napkins (250) x 4	199.96
Hot Food Table	961.20		9,608.08
Overhead Warmer Heat Lamp	104.43		
Worktop Freezer - One Section, 6.2 Cu.Ft.	1,537.36		
High Efficiency Series of Gas Fryers	3,748.50		
Worktables w/ Overshelf Kit	1,144.18		
6-burner ranges	1,310.00		
Pan Racks	32.71		
Rotisserie Roaster	1,879.78		
Digital Convection Ovens	1,227.65		
Fire protection system	248.40		
Exhaust hood and fans	643.64		
Pressureless Steamer	3,008.04		
Slicer	1,767.44		
Soup warmer	209.90		
Toaster	1,004.01		
Braising pan	6,364.54		
Ice maker-80lbs capacity	1,778.00		
Refrigerated display case	4,170.76		
Blender	100.65		
Deluxe sneeze guard	1,017.37		
cookware	2,000.00		
Cashier station	1,983.92		
<b>TOTAL</b>	<b>60,018.19</b>		

### Food Costs

	<b>Produce</b>					
	Cost per unit	Cost for one week (5 units)			Cost per unit	Cost for one week (5 units)
Artichokes	\$1.26	\$6.30		Peas-in the pod	\$2.14	\$10.70
Asparagus-bunch	\$4.37	\$21.85		Peppers-green	\$1.92	\$9.60
Bok Choy	\$1.11	\$5.55		Peppers-red	\$3.66	\$18.30
Broccoli	\$2.72	\$13.60		Peppers-yellow	\$4.11	\$20.55
Cabbage-red	\$0.84	\$4.20		Potato- 5lb bag russet	\$3.16	\$15.80
Carrots- bunch	\$1.57	\$7.85		Potatoes-red	\$1.00	\$5.00
Cauliflower-white	\$2.47	\$12.35		Scallions	\$0.94	\$4.70
Celery	\$1.13	\$5.65		Spinach	\$2.72	\$13.60
Cilantro	\$1.26	\$6.30		Sprouts-alfalfa	\$1.15	\$5.75
Corn	\$3.29	\$16.45		Squash-butternut	\$1.56	\$7.80
Cucumber	\$2.25	\$11.25		Squash-spaghetti	\$1.07	\$5.35
Edamame	\$2.72	\$13.60		Squash-zucchini	\$2.00	\$10.00
Eggplant	\$1.47	\$7.35		Sweet potato- Jewel	\$2.47	\$12.35
Garlic	\$2.98	\$14.90		Herbs-cup	\$2.12	\$10.60
Green beans	\$3.29	\$16.45		Tomatoes-plum	\$1.80	\$9.00
Lettuce-Boston	\$1.82	\$9.10		Oranges-Florida valencia	\$0.94	\$4.70
Lettuce-green leaf	\$1.76	\$8.80		Blackberries	\$4.61	\$23.05
Lettuce-romaine	\$0.97	\$4.85		Blueberries	\$4.61	\$23.05
Mushrooms-cremini	\$3.29	\$16.45		Cranberries	\$3.04	\$15.20
Mushrooms-white	\$2.88	\$14.40		Avocados	\$3.33	\$16.65
Onions- organic	\$0.95	\$4.75		Bananas	\$0.82	\$4.10
Onions-red	\$0.92	\$4.60		Grapes-seedless	\$2.36	\$11.80
Peas	\$3.29	\$16.45		Kiwi	\$0.37	\$1.85
Shallots- cup	\$2.53	\$12.65		Nectarines	\$2.09	\$10.45
Strawberries	\$4.61	\$23.05		Pears	\$0.88	\$4.40
Pineapple - chunks	\$3.30	\$16.50		Raspberries	\$2.13	\$10.65
Mangoes	\$1.34	\$6.70		Peas-Snow	\$3.15	\$15.75
						<b>\$602.70</b>

<b>Cal Poly Organic Farm:</b>						
<b>Item</b>	<b>Organic Status</b>	<b>Packed</b>				<b>Price</b>
<b>FAVA BEANS</b>	Certified Organic	15lbs				\$20
<b>Lettuce, red, green, Romaine</b>	Certified Organic	12 hds				\$12
<b>Rosemary</b>	Certified Organic	12 bunches				\$12
<b>Cilantro</b>	Certified Organic	12 bunches				\$12
<b>Kale (Red Russian)</b>	Certified Organic	12 bunches				\$12
<b>Parsley</b>	Certified Organic	12 bunches				\$12
<b>Beets, red and chiogga</b>	Certified Organic	12 bunches				\$12

	<b>Dairy, Grains, etc.</b>	
	Cost per unit	Cost for 2 weeks (10 units)
Yogurt	\$5.00	\$100.00
Cow Milk	\$3.85	\$77.00
Feta cheese, (specify) Salted or NoSalt	\$12.50	\$125.00
Mozzarella cheese, (specify) Salted or NoSalt	\$12.50	\$125.00
Cheddar,	\$6.00	\$60.00
Swiss,	\$6.00	\$60.00
Monterey Jack,	\$6.00	\$60.00
Pepper Jack,	\$6.00	\$60.00
Herbal Jack	\$6.00	\$60.00
Swiss – (specify) Salted or NoSalt	\$6.00	\$60.00
Soaked Bread (specify)		\$0.00
Spelt, Wheat, Cinnamon-Raisin Wheat	\$6.00	\$60.00
Sourdough Breads (specify)		\$0.00
Rye, Spelt, 7-Grain	\$5.75	\$57.50
Best Salad Vinegar	\$3.00	\$30.00
Homemade Mayonnaise	\$4.50	\$45.00
Honey Mustard	\$3.50	\$35.00
Potato Chips Non Organic/Lard	\$7.50	\$75.00
		\$1,089.50
	Cost per unit	Cost for 2 weeks (40lbs)
<b>Protein</b>		
Round Steak	\$7.50	\$300.00
Ground Beef	\$6.92	\$276.80
Bacon (dry/cured)	\$4.94	\$197.60
Ground Turkey	\$6.18	\$247.20
Beef Ribs	\$3.50	\$140.00
Brisket	\$6.50	\$260.00
Shrimp	\$10.06	\$201.20
Pork Chops	\$7.25	\$290.00
Spare Ribs	\$6.50	\$260.00
Sausage	\$5.52	\$220.80
Tilapia	\$4.78	\$191.20
Tofu Steak	\$3.50	\$140.00
Ham	\$5.50	\$220.00
Whole Turkey (specify size 10lbs-20lbs)	\$3.25	\$130.00
Breasts	\$7.50	\$300.00
Whole Chicken (unit = 10 3-4.5lbs chickens)	\$203.40	\$406.80
Salmon	\$6.59	\$263.60
		\$4,045.20