

**BUSINESS PLAN FOR AN ALL YOU CAN EAT KOREAN RESTAURANT IN
ONTARIO, CALIFORNIA**

A Project
Presented to the
Faculty of
California State Polytechnic University, Pomona

In Partial Fulfillment
Of the Requirements for the Degree
Master of Science
In
Hospitality Management

By
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2016

SIGNATURE PAGE

PROJECT: BUSINESS PLAN FOR AN ALL YOU CAN EAT
KOREAN RESTAURANT IN ONTARIO, CALIFORNIA

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ACKNOWLEDGEMENTS

I would love to express my sincere gratitude to my committee members: Dr. ZhenXing (Eddie) Mao, Dr. Jerry Chessser, and Dr. Wan Yang. I appreciate their useful advice, remarks and encouragement through the learning process of this project. I couldn't have finished this project by myself. Furthermore, I would like to thank my chair, Dr. Mao, for introducing me to the topic as well as for the support along the way. I feel deeply grateful to Dr. Chessser for his life lesson, and I will always remember it. Thank you Dr. Yang for always being there for me and providing help. I would also like to thank all the professors and classmates of this program; I learned a lot from all of you. I am thankful for their aspiring counseling, priceless constructive critiques and farseeing advice while working on this project. I am sincerely grateful to them for sharing their genuine and informative views on a number of issues related to this paper. I wish everyone the best. Last but not least, I could not finish this project without my parents' support. Especially my mother, who worked very hard in order to support me while finishing this program. I'll always love you!

ABSTRACT

This project is a proposal for an All-You-Can-Eat Korean style barbeque restaurant in Ontario, San Bernardino County, California through detailed and focused marketing research, an environmental scan and a financial analysis. The project includes reasons on why to open a Korean barbeque restaurant in this area, and it also provides a full business plan to increase the success of the restaurant. It includes strategies for how to target customers for this restaurant. The completed financial analysis provides information about the business break-even point and annual goal for the restaurant. The financial statement includes the Cash Flow Statement, the Profit and Loss Statement and the first three-year Balance Sheet to help the investors and banks to see the potential of this restaurant. The results of this project strive to be a starting point for the investors and banks to evaluate potential success for the restaurant.

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CHAPTER 1

Introduction

Today more and more immigrants from different countries move to California, and the culture of California mixed with different ethnicities is becoming a “melting pot” (American Society on Aging, 2011). There are more and more ethnic cuisine restaurants opening in California, and people are willing to try different kinds of food (Rieger, 1994). As Korean Pop Music and Korean Drama become famous in the world, more and more non-Koreans are starting to like Korean Food. Since Korean dramas have become more popular in recent years, restaurants are trying to provide customers with traditional Korean barbeque experience as well as authentic food seen in the Korean drama. According to Public Radio International (2014), people watch Korean dramas online through video streaming companies in North America: “It attracts millions of viewers in the United States and most of them are non-Asian... American media companies are taking note of this growing viewership. Hulu recently partnered with DramaFever to offer more than 200 different K-Dramas on their own site. Netflix is expanding its foreign content too.” Korean barbeque is often shown on dramas, and drama lovers are more likely to want to try authentic Korean barbeque.

Obesity is a big concern for Americans, and healthy food has become more important in the U.S. Americans keep close attention to their eating habits and make sure that kids are also aware of the risk of high calorie fast food (Court, Vince-Cain, & Jefferson, 2010). A 2013 survey by the National Restaurant Association shows that American consumers have become more health conscious about food. Korean cuisine is considered as healthy because of its natural recipes and variety of ingredients (Park,

Woo, & Choi, 2011). Jang, Ha and Silkes (2009) state that Asian cuisines are getting popular in the United States, and Chinese food is one of the major ethnic foods along with Japanese and Thai food; Italian and Mexican food are also attracting customers today; Korean cuisine is emerging, signifying tremendous potential for growth with its uniqueness and flavor. Korean barbecue is a representative Korean diet; therefore, Korean barbecue is becoming popular in the L.A. area. The proposed restaurant will be in the city of Ontario, just outside of Ontario Mills Outlets. It also close to an international airport, and many hotels. Personal observation found out that the Korean barbecue restaurants nearby Ontario are very busy, and customers need to wait a very long time during weekends. This will help the readers or owners who are interested in opening a Korean barbeque restaurant in the future. And this also increases the chance that the restaurant will stay open. This will help the owner to gain banks' and investors' trust to invest in the restaurant and improve the skills to be an entrepreneur.

The name of the restaurant can be "Gangnam Style," which it comes from a very famous Korean song. This Song got very popular in the U.S, according to William Gruger (2012), on December 21, 2012, the song became the first YouTube video to reach one billion views. The name itself can be easily related with Korean food by customers. Gangnam Style will focus on the outlet's customers, airport travelers, and neighbors; providing authentic Korean barbecue with good customer service is the main goal.

Korean barbecue is a Korean style of roasting beef, pork, chicken and other types of meat and vegetables. The meat and vegetables are prepared at the diner's table on a gas or charcoal grill, and the grills are built into the table itself (Wikipedia, 2016). Some of the meat is prepared with Korean style flavor, and customers can just cook the meat on

the grill by themselves. Some of the meat is not pre-marinated or seasoned, and customers will cook the meat on the grill and then dip the items into a variety of Korean sauces.

Gangnam Style is planning to be located right next to the Ontario Mill Outlets, and it will consist of 3,000 square feet in a single level building within a few minutes walking distance from the outlet's entrance. 2,000 square feet will be dining, about 600 square feet will be the kitchen area, and 400 square feet will be restrooms. The capacity of the restaurant will be about 140 to 160 customers. The operation hours will most likely be 11 am to 11 pm on Sundays through Thursdays, and 11 am to 1 am on Fridays and Saturdays. The owner will borrow start-up capital from a bank, investors, or both. The capital will cover the cost of rent, remodeling, equipment, furniture, food and advertising.

Objectives

The purpose of this paper is to provide a detailed business plan to open an all-you-can-eat Korean BBQ restaurant in Ontario where none currently exist. This project is a case study. According to the RestaurantOwner.com (2013), the restaurant failure rate for the first year is 26 percent (which is the highest rate noted), the second year is about 19 percent and the third year is about 14 percent. Opening a restaurant is risky for owners, there were 518,500 new restaurants that began operations between 2008 and 2009, and 680,716 restaurants closed during that period (U.S. Small Business Administration's Office of Advocacy, 2009). There is a 60 percent chance that a restaurant will fail within three years when it first opens (Zagat & Zagat, 2011). Restaurant business can be risky, and it is important to have a good and comprehensive business plan to help reduce that risk. The goal is to offer an authentic Korean barbeque

and experience to customers and to try to attract Ontario Mills shoppers, neighbors in Ontario, and travelers at Ontario International Airport. The restaurant is trying to educate customers to eat meat in a healthy way by adding vegetables, and traditional Korean side dishes and sauces to build a healthy concept. Gangnam Style will provide a better service and less smoky environment than other Korean barbeque restaurants.

CHAPTER 2

Marketing Plan

A good marketing plan is very important for a business, and marketing mixes are parts of a business plan. Marketing mixes were first introduced by Professor E. Jerome McCarthy in the 1960s. Marketing mixes can use controllable, tactical marketing tools to achieve a business' objectives. It considers the needs of the target market, a comprehensive environment, ability competition, and self-controllable factors in order to improve and cooperate for a better profit gross (McCarthy,1964). Marketing mixes have four Ps, and they are Product, Price, Place and Promotion. According to McCarthy (1964), the first P stands for the actual product; the second P is for price, and it represents the value of a product; the third P is place, and it means the distribution channels, market coverage, and movement organization which are involved in order to sell the products to customers; the last P is promotion, and it involves to reach the target market and communicate with customers in order to sell the products. The marketing mixes for Gangnam Style is below.

Products

The Lunch and Dinner menus also include an all-you-can-eat cold bar (figure 1). The cold bar will provide salad, fruits, sauces, lettuce, garlic slices, smell desserts, Korean style side dishes and so on. The cold bar will contain dishes depending on the seasons, while keeping popular items and removing unpopular items. The restaurant can make adjustments after a few months in order to avoid wasting food. In order to make the restaurant different from other Korean barbeque restaurants, the restaurant is going to provide extra sauces for customers. Other Korean restaurants only have a salt and sesame

oil combination; Gangnam Style wants to add extra sauce to make the meat taste differently than others. The restaurant is also going to be adding some new items to the menu, such as bacon and asparagus (figure 2) and bacon and noodle mushroom (figure 3). The bacon with asparagus and bacon with noodle mushroom combinations are cooked on the table by the guests. Prep cooks will prepare the items in the kitchen because they are raw before customers order them. Bacon contains rich phosphorus, potassium, fat carbohydrates and other elements. Asparagus is called “king of the vegetables,” and it is rich in amino acids, proteins and vitamins that are higher than normal compare to other fruits and vegetables. The smell and taste of crispy bacon with the sweet taste of asparagus can create a new flavor and make people fall in love with this house special dish. Mixing western bacon with asparagus is a fresh idea in order to balance the meat and vegetables for Korean barbeque. Noodle mushroom is not often seen in American dishes, but the dish is rich in zinc and helps mental development of children’s brain. Combining bacon with noodle mushroom creates a new flavor while also being healthy for human bodies. The whole restaurant will smell enticing with grilled meat and vegetables cooking constantly. Bacon asparagus and bacon noodle mushrooms are not seen at other Korean barbeque houses, and this restaurant will make them house special items to stand out.



Figure 1: Cold Bar



Figure 2: Bacon and Asparagus



Figure 3: Bacon and Noodle Mushrooms

The restaurant is also going to have alcohol combos (beer and Korean soju) for customers to choose from, which other restaurants do not offer. According to Centers for Disease Control and Prevention (2010), California State spent 35,010,600,000 dollars on alcohol in 2010, which is the number one in all 50 states, suggesting that alcohol is very profitable for restaurants. Supermarkets' average price for soju is about \$2-\$3, but in restaurants its \$12-\$15 per bottle. Having the alcohol combos will be helpful to increase the revenue for Gangnam Style.

Lunch \$14.99 per person 20 items

1. Premium Steak
2. Beef Bulgogi
3. Pork Bulgogi

4. Beef Brisket
5. Pork Belly
6. Spicy Pork Belly
7. Garlic Pork Belly
8. Beef short Ribs
9. Marinated Pork Steak
10. Mixed Vegetables
11. Spicy Chicken
12. Marinated Chicken
13. Marinated Squid
14. Spicy Squid
15. Shrimp
16. Large Intestine
17. Spicy Tofu Soup
18. Steam Eggs
19. Vegetable Pancake
20. Steam Rice



Figure 4: Example of Lunch Menu

Dinner \$19.99 per person 30 items

1. Premium Steak
2. Beef Bulgogi
3. Pork Bulgogi
4. Beef Brisket
5. Rib Eye
6. Beef Tongue
7. Pork Belly
8. Thin Pork Belly
9. Spicy Pork Belly
10. Garlic Pork Belly
11. Beef Short Ribs
12. Beef Belly

13. Korean Style Premium Steak
14. Marinated Pork Steak
15. Mixed Vegetables
16. Spicy Chicken
17. Marinated Chicken
18. Marinated Squid
19. Spicy Squid
20. Marinated Octopus
21. Shrimp
22. Bacon and asparagus (House Special)
23. Bacon and noodle mushroom (House Special)
24. Spicy Shrimp
25. Large Intestine
26. Small Intestine
27. Spicy Tofu Soup
28. Steam Eggs
29. Vegetable Pancake
30. Steam Rice



Figure 5: Example of Dinner Menu

Beverage Menu

Soft Drink

Coke, Diet Coke, Sprite, Dr. Pepper -\$1.99

Green Tea-\$2.99

Lemonade (Raspberry, Peach, Strawberry)-\$2.99

Apple Juice --\$2.99

Orange Juice --\$2.99

Alcohol

Soju (Original, Strawberry, Lychee, Yogurt, Mango, Peach) \$15

Beer (Blue Moon, Bud Light, Lite) \$4-\$9

Korean Rice Wine \$14.99

Special Alcohol Combo

Combo A for two \$19.99 Plus 2 beers and 1 Soju

Combo B for four \$ 38.99 Plus 4 beers and 2 Soju

Price

Gangnam style is an all-you-can-eat Korean barbeque house. The lunch menu goes from 11:00 am to 3:00 pm Monday to Friday at only \$14.99 per person (figure 4) and \$8.99 per three-year to ten-year old child. The dinner menu starts at 3:00 pm and goes until closing time; it is \$19.99 per person (Figure 5) and \$11.99 per three-year to ten-year old child. Beverages are an additional charge on top of the all-you-can-eat price. This is an average price for a Korean barbeque restaurant. Gangnam Style charges the same price as the closest competitor Gen Korean Barbeque House, but with a menu that is richer. Although the menu is already richer, Gangnam Style can add more cheap food, such as tofu, seasonal vegetables, and fruits, in order to reduce the cost of meat, and the managers can also make sure that the cost of food stays under control.

Place

Gangnam Style is located at 4323 Mills Circle, Ontario, CA in San Bernardino County, which is next to the Ontario Mills Outlets. It is the red dot on the map in figure 6. The roads around this area are the main roads that are very wide and easy to drive on. There is a big parking lot, and the customers can also park at the mall; it is very convenient for customers to get to the restaurant. The location itself provides an easy way to market at customers, and it is very easily noticed for people who drive by. It is close to the 10 Freeway and 15 Freeway with a convenient exit and entrance. The company that

Gangnam Style will purchase vegetables and fruits from is located Rancho Cucamonga and is within a 14 minute-drive. Since the restaurant is close to the freeway, food delivery is easy at this location. The meat wholesale company is located in Rosemead, a little farther from Ontario. However, Gangnam Style is not the only restaurant they deliver meat for, and they can deliver to multiple restaurants on the way to Gangnam Style. The meat wholesale company is willing to deliver the meat with no additional cost despite the distance. Costco is another company that the restaurant will be shopping at, and Costco is close to Gangnam Style as well. It is very easy to get to Costco because of the Freeway.

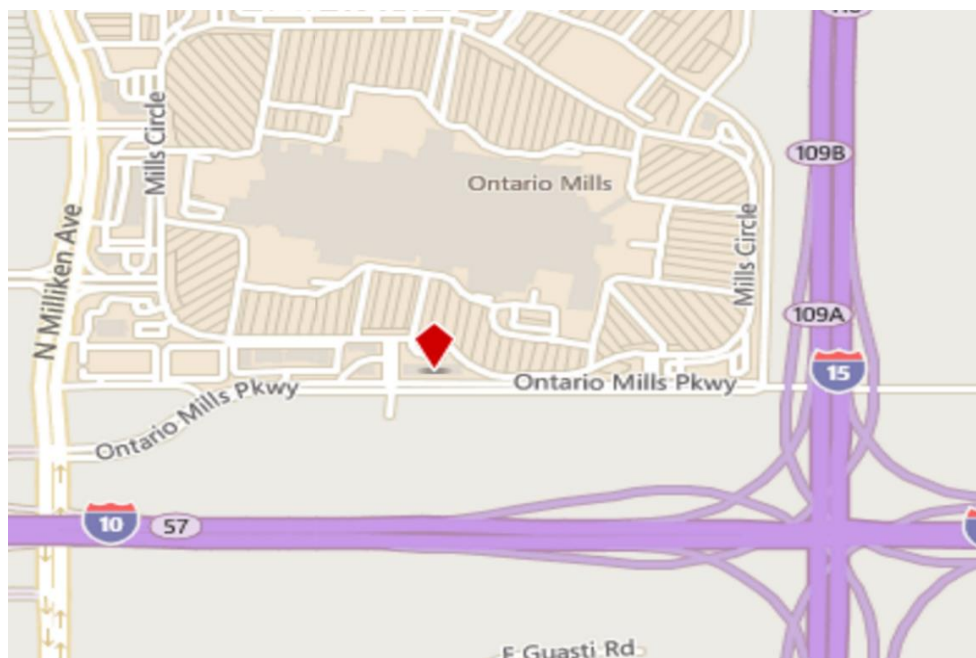


Figure 6: Map of Ontario; Gangnam Style Is the Red Dot

Promotion

There will be a lunch special menu from Monday to Friday and there will be some alcohol combos on the menu to increase alcohol sales. Gangnam Style will offer free soda for every check-in on Yelp or Twitter, which will help us gain publicity. Gangnam Style will print out advertisements pass them out in the mall or leave them on people's

cars. The restaurant is also planning to leave some ads at the information desk of the mall and also at the Ontario International Airport. Because of the budget issue, Gangnam Style is not going to do TV ads, radio ads or newspaper ads. Managers will add a website when Gangnam Style is ready to expand, and managers can use Yelp, WeChat and other social media as tools to gain publicity while responding as quickly as they can to any negative reviews. Managers can contact the negative reviewers and offer them to come back in order to make sure that the revisit can solve any mistakes. Managers need to try to turn unhappy customers into loyal customers. The restaurant can also do special menus during holidays with holiday prices. Gangnam Style should try to use as much of the free resources and social media as possible to get the name out. Having good customer service and authentic food can increase word-of-mouth advertising. The restaurant is planning to educate the customers about Korean food and that eating the right way can also be delicious. During the restaurant's soft opening, it can pass out surveys about the food. Based on the surveys, managers can innovate the food by following new trends and what the customers like. Gangnam Style is going to use a print-recycle menu instead of an electronic one. Gangnam Style needs to test the market first before finalizing the menu. Print-recycle menus can be changed anytime and save the operation cost. Gangnam Style can partner up with travel agencies so that it can attract travelers from the airport. By giving a group price, the restaurant can be a part of a travel package. The restaurant will try to work with Uber drivers and taxi companies so that they can recommend the restaurant as well. Once a guest has made ten purchases from the restaurant, they will receive a ten-dollar gift card for a future visit. Birthday customers can get 50% off on their birthday with a free ice cream dessert. According to RestaurantOwner.com (2015),

the average marketing expenses for restaurants are between 2%-4% of their total sales; Gangnam Style is a new restaurant, and it needs more budget for marketing. The restaurant is planning to use about 5% of the total sales. Assuming the first year revenue is about 1.6 million dollars, the highest projected cost for the first year is about \$80,000. \$16,500 would be the projected cost for a 5% discount, and the restaurant is going to give 5% off for the first three months. \$3,000 will be for ads and labor cost for passing out ads at the mall when it first opens, and about \$6,000 will be for website maintenance for the first year (approximately \$500 a month). The menu budget is about \$2,000. According to Katherine Luster (2014), the cost per soda is about 10 cents, and the projected cost for this promotion is about \$7,300 assuming that 90% of people check-in and get free sodas. It is planning to spent 32,350 dollars for birthday promotions and “buy ten, get ten-dollar gift card” promotion for the whole year. The rest of the 12,850 dollars will go to working with Uber drivers, taxi companies and travel agencies. Therefore, it needs about 80,000 dollars for projected cost for the first year.

CHAPTER 3

Market Analysis

This section starts with the industry analysis, target market and market segmentation. The industry analysis is an overview of the whole restaurant industry in the United States; people can use this information to predict the potential of the industry. The next section introduces the target market and the reasoning behind it. The last section is market segmentation; it discusses the target market with data support.

Industry Analysis

The National Restaurant Association (2014) estimated that the restaurant industry had generated over \$709.2 billion in 2014, about 4% of the entire Gross Domestic Product in the United States with 3.8% sales increase in nominal terms. In the past 50 years, both mothers and fathers have started to work to support their families, and this has helped the revenue of the restaurant industry to increase dramatically. From \$120 billion in 1980 to \$709.2 billion in 2014, the restaurant industry has expanded significantly. The National Restaurant Association (2013) discovered that about 47% of the food budget was spent by families dining out in 2013, and this number is expected to increase in the next ten years. The restaurant industry has huge potential to grow in the future, and investing in restaurants is very promising.

Target Market

Gangnam Style could be the first Korean restaurant for Korean barbeque in Ontario. Based on observations, there are many types of restaurants in Ontario or around the area, such as Mexican food, American food, and fast food, but this area does not have enough buffets or Asian food, especially Korean food. According to the City Facts of

Ontario (2013), the current area covers approximately 50 square miles with a population of 166,866. The closest Korean barbeque buffet restaurant is in Rancho Cucamonga; therefore, Gangnam Style is at a convenient location. Korean Barbeque has become well-known in Asian Culture in the past twenty years. The Korean government has put a lot of effort in the development of the Korean food industry on a global basis. Korean food is currently enjoying attention in international markets such as the United States (Korean Food Foundation, 2013). Korean food has become a representatives of healthy and delicious cuisine (Jang & Ha, 2009).

Gangnam Style's target market is the city of Ontario, and it also wants to target the shoppers of Ontario Mills and travelers from Ontario International Airport. According to Suburban State (2015), the total population in California of the potential target market is about 40.16%, which consists of the ages between 18 to 44.

According to Greater Ontario California Convention & Visitors Bureau (n.d.):

“Host to more than 24 million shopper visits annually, Ontario Mills is California's largest outlet and value shopping center. With more than 1.5 million square feet and over 200 stores... Guests can enjoy fabulous dining and entertainment at AMC 30 Theaters, Improve Comedy Club & Dinner Theater, Rainforest Café, Dave & Busters, Market Broiler, Game Works and more. Ontario Mills is conveniently located at the I-10 and I-15 intersection.”

The restaurant hopes that it can get some of them to dine in the restaurant.

Marketing Segmentation

Based on the research by Food Service Warehouse (2012), the target market segmentation for Gangnam Style is expected to be divided into three levels; the primary

target customers range from 21-34 years of age (about 21.13% of total population); the secondary target customers range from 35 to 44 years old (about 14.65% of total population), and the tertiary target guest is 20 to 18 years old (about 4.38% of the total population). Based on the customer's geographic origins, the restaurant can also try to divide them into Ontario Mill Outlets shoppers, the local people from the city of Ontario, people from neighboring cities, and travelers from airports and hotels. The restaurant hopes to gain as many shoppers from the mall as possible by passing out ads and taking advantage of location convenience. It hopes to attract local people and neighbors when they drive by. By cooperating with taxi companies and Uber drivers to get travelers from the airport, the restaurant can reevaluate the target market after it opens for a while and by that time, it can get more accurate information to craft a better target market plan. According to personal observation and working experience, at least 40% of the customers are non-Asian at Gen Korean barbeque restaurant due to the non-Asian geographic origin and because most of Gen's staff members are non-Korean. According to Sponsor (2015), "It's no secret Korean Food in the US has gotten very, very big... The cuisine's focus on intoxicating flavors, healthy ingredients, and celebration of friends and family have been championed by the likes of Gwyneth Paltrow, Brad Pitt, Jessica Alba and even President Obama." In other words, the non-Korean market is very attractive for the restaurant.

CHAPTER 4

Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis

In the business world, there are always risks involved. In order to make a business successful, businesses have to know these advantages and disadvantages before the operation so that they can come up with a plan to increase the chance of success. SWOT (strengths, weaknesses, opportunities, and threats) analysis is based on internal and external situation under competitive conditions and competitive environments using surveys, matrix forms and other analyses combined with various factors to evaluate the major strengths, weaknesses, external opportunities and threats; it draws a series of appropriate conclusions to help decision making (Humphrey, 1960s). According to the SRI International Alumni Association Newsletter (2005), “Some authors credit SWOT to Albert Humphrey who led a convention at the Stanford Research Institute in the 1960s and 1970s using data from fortune 500 companies.” SWOT analysis is often used to develop companies’ development strategies, competitor analyses, and strategic analyses, and it is one of the most commonly used methods for companies doing business plans. Below, Table 1 is the SWOT Analysis for Gangnam Style Korean Barbeque before its open.

Table1: Results of SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none">• Location• Busy traffic• Independent management	<ul style="list-style-type: none">• Easy to be copied• Similarities to other competitors• Lack of qualified kitchen staff and chefs (3.9% Asian)
Opportunities	Threats
<ul style="list-style-type: none">• Less primary competitors	<ul style="list-style-type: none">• Minimum wage• Rising product costs

Strengths

Location: This location is near the Ontario Mills Outlets and Ontario International Airport. Many hotels are near the Ontario International Airport. There are movie theaters nearby. The location is close to the 10 freeway, 60 freeway and 15 freeway. This location is very easy to be located by customers who drive by. Although there are other types of restaurants nearby, there are no major competitors for Gangnam Style because there aren't any Korean barbeque restaurants in the whole city.

Busy Traffic: There is a huge volume of customers from the outlets, airport businesses and also neighboring cities. According to NPD's Group Inc., a 2015 ongoing foodservice market research discovered about 21 percent of total visits represent full service restaurants. Busy traffic can bring customers to restaurants. It is an ideal location to generate customers for business due to the busy traffic and all the other attractions nearby, such as the movie theater. Miller and Washington (2013, p187) state that about

7% of shoppers go to the malls just for food, and restaurants at a mall can generate about two million diners a year. Gangnam Style is just outside of the mall. Major roads are all around the area, making it very easy to enter the plaza for customers.

Independent management: Gangnam Style is planning to be an independent restaurant that is free from outside control, allowing the owner to make changes and adjustments whenever needed; it will be easy to manage the finances due to the small operation and fewer number of employees (LaVecchia, 2015). Employees will be able to complete tasks with less control, and they will be able to direct the overall outcome (Johnson, 2011). The restaurant will have the full freedom of operation. The owner can respond more quickly to various situations.

Weaknesses:

Easy to be copied: Korean barbeque restaurants are very easy to be copied by others because the cooking processes and recipes are simple, and all the restaurants' menus are similar. Korean barbeque is common in Korea, and the majority of Korean families know how to make sauces, Kimchi and other traditional Korean dishes.

Similarities to other competitors: All Korean barbeque restaurants are similar to each other, and there are limited items that can be grilled Korean style. The menus are nearly the same, and the side dishes and sauces are similar. The operation style and restaurant environments are also similar to each other. Korean barbeque restaurants use similar grills that require customers to cook their food themselves and experience the fun of barbeque. Overall, it is difficult to be unique with this type of restaurant.

Lack of qualified Kitchen Staff and Chefs: In order to provide authentic Korean Barbecue, Gangnam Style would like Korean chefs and staff members to work in the

kitchen. This city is far from a Korean community, and the salary and benefits are usually not good for a kitchen staff and chefs; people are usually not willing to drive that far. Therefore, it is hard to find an adequate Korean kitchen staff and chefs.

Opportunities

Less primary competitors: There are many different kinds of restaurant in Ontario and also many in neighboring cities. There are a few Asian restaurants in Ontario, but most of them are fast food, such as Panda Express, China Express Restaurant, Chopsticks Wok and others. The casual dining restaurants are mostly non-Asian cuisine, although they are still competitors for Gangnam Style. The closest Korean all- you-can-eat barbeque restaurant is in Rancho Cucamonga, California, and that restaurant is very busy (the waiting time is at least 45minutes on a weekend). It is approximately a 13 minute drive from Gangnam style. Gen is the closest primary competitor for Gangnam Style. Since most of the competitors are not primary, hopefully it can reduce some of the stress for a new restaurant.

Threats

Minimum wage: According to the State of California Department of Industrial Relations (2013), starting January 1, 2016, the minimum wage in California will increase to \$10 per hour and will reach \$15 dollars per hour by 2020 (The New York Times, 2015). That means every year there will be an increase cost on labor expenses. Labor cost is one of the most expensive expenses in the restaurant business. The increase of the minimum wage will drive the budget for labor expenses higher, and it will affect the net revenue of the restaurant. It is very important for the restaurant owners to know that labor cost is

going to be increasing every year as it will increase the operating cost of the restaurant every year.

Rising Product costs: Due to the increase of the minimum wage, the price of food and other costs will also keep increasing. This cost may require Gangnam Style to increase the menu price in order to stay in profit in the future.

CHAPTER 5

Financial Plan

According to David Sellars (2009, p84), a financial plan is “critical to success because many businesses fail during the first 3 years of operation due to poor financial plans and inadequate funding.” This section covers the start-up funding, the personnel plan, important assumptions, the sales forecast, the break-even analysis, the profit and loss statement, and the long-term plan. The start-up funding is about the total estimated capital for starting the restaurant. The personnel plan covers labor plans and costs for the restaurant. Important assumptions are some assumptions based on observations. The sales forecast is the assumptions made for sales when it first opens. The break-even analysis shows how many sales the restaurant needs to break-even. The profit and loss statement is the estimated profit and loss for the future. Finally, the long-term plan helps with the future of the restaurant. As the managers become more and more familiar with the business, they should be able to find a way to cut the waste costs and inventory costs. The restaurant needs to make sure that it has a good relationship with the suppliers and make sure the food quality and costs are reasonable. The chefs and prep cooks need to focus on the food quality and make sure that the customers are not returning the dishes due to low quality. They also need to make sure to prepare enough food but not too much in order to reduce the waste. As time goes by, the waste costs should be decreased and other cost should be minimized in order to maximize the profit.

Start-up Funding

Gangnam Style is going to need about \$800,000 as start-up funding. It is planning to get a \$550,000 loan from a bank. The owner needs to have about \$250,000. The total

space is 3,000 square feet (SF) and about \$2.25 SF/Month. The rental cost will be \$6,750 per month. The restaurant will be an independent business, and the owner will pay back the loan every month. Gangnam style is planning to pay back the loan within five years and can hopefully pay back \$10,000 every month. The interest rate for the loan is 3.5%. The owner will have the sole ownership of the restaurant. Some of the key financial indicators include the consulting and contracting service fee; cost of the goods and ingredients; operational expenses; rent, commercial insurance, maintenance fee for the facility; cooking equipment; furniture; remodeling fee, and so on. Working capital will cover labor expenses and other expenses assuming the restaurant cannot make a profit when its first opens. Table 2 shows a chart for Gangnam Style start-up costs.

Table 2: Start-up Costs

Expenses	Start-up cost
POS Installation	\$13,000
Lease of the Facility	\$40,500
Remodeling and Grill Equipment	\$600,000
Cost of Inventory	\$15,000
Insurance	\$10,000
Print Ads and Labor	\$3,000
Working Capital	\$100,500
Other	\$18,000
Total	\$800,000

Personnel Plan

For the first year, Gangnam Style will hire experienced staff members to run the restaurant. Managers need to make sure that the servers receive enough training and have professional attitudes. The owner also needs to make sure the chefs are experienced at making traditional Korean side dishes and meals. The owner is going to hire two

managers, one for the day shift and the other for the night shift. The owner will be in charge for the shifts that managers off.

Gangnam Style is going to divide the team into two shifts: the chefs and shift managers are paid with a monthly salary, and the rest of the team is paid hourly. The California minimum wage is currently \$10 per hour, and the prep cooks, busboys, and servers/hosts are paid minimum wage. The servers also receive tips on top of their wages. Below, Table 3 shows the approximate labor costs for the first three years.

Table 3: Personnel Plan

PERSONNEL PLAN	Column1	Column2	Column3
	YEAR 1	YEAR2	YEAR3
Chef (2)	\$90,000	\$96,000	\$105,000
Shift managers (2)	\$67,200	\$72,000	\$76,800
Prep Cook (2)	\$53,180	\$55,839	\$58,498
Servers/Host (10)	\$265,900	\$279,195	\$292,490
Busboys (4)	\$106,360	\$111,678	\$116,996
TOTAL	\$582,640	\$614,712	\$649,784

Important Assumptions

The closest competitor, Gen Korean Barbeque, was observed and the results are: during weekends, the wait time is about one hour or more to get a table and it is difficult to find a parking space; during weekdays at lunch time, there is also a wait time; during weekday evenings most of the time the restaurant is busy but the wait time is not very long. Because there are no other Korean barbeque restaurants nearby, the restaurant is always full of customers. Therefore, it is time to open another Korean barbeque restaurant to provide customers with another choice.

The straight-line method was used to calculate the depreciation rate. According to the United Policyholders (2004), t

be 12.5%, and the cost for equipment and remodeling will be about \$600,000 (assuming the salvage value is 0 dollars at the end). Restaurants need to pay tax on their profits; according to the Tax Foundation (2013), the income tax rate in Ontario is 8.84% and the federal tax rate is 39%. Gangnam Style is planning to use this income tax rate to calculate the profit and loss statement. According to RestaurantOwner.com (2013), the cost of sales is about 31.8% for a full-service restaurant. Gangnam Style can use 31.8% for its profit and loss statement.

Sales Forecast

According to Yelp reviews and observations of Gen Korean Barbeque House in Rancho Cucamonga, Gen has a daily customer base of 500 on weekdays and more than 500 during weekends. The average check per person is about \$20, including the beverage, and therefore the minimum revenue is at least \$3,650,000 per year. Gangnam Style is smaller than Gen, and it will be a newly opened restaurant. The restaurant is looking to generate about 1.5 million to 2 million dollars per year in the first two years. The sales forecast shows that the first three months will be slow because it is newly opened and also because of the soft opening discount. As time goes on, the sales should be increasing every month. The restaurant is planning to have a 15% increase the second year and a 20% increase the third year. The restaurant is trying to keep the food cost around 31.8%, and the profitability around 30%. Figure 7 shows the sale forecast for the first 12 months and figure 8 shows it for the first three years. The average daily guest count for the first year is about 219 and the assumption is that every check per person is \$20 dollar. The average daily guest count for the second year is about 252 and 302 for the third year. Joe Stanton (2015) states that 70% of mall customers eat after or during shopping, and

independent restaurants can compete with franchise chains because they have less limitations and can directly give a response to customers.

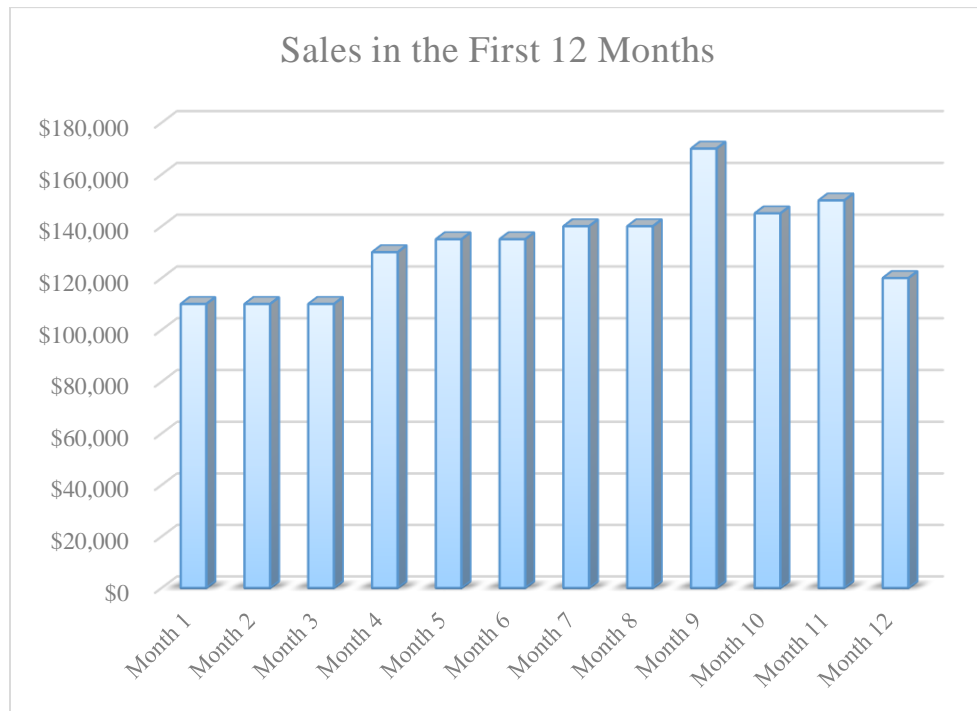


Figure 7: Sales in the First 12 Months

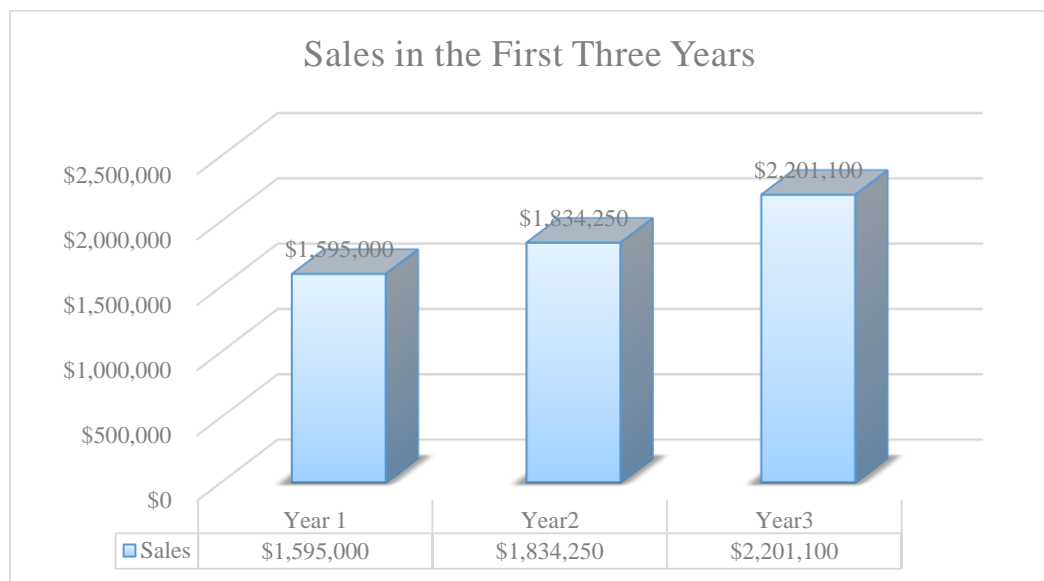


Figure 8: Sales in the First Three Years

Table 4 lists the cost of meat coming from one of the wholesale companies at Rosemead, CA. According to RestaurantOwner.com (2013), the food costs are usually about 31.8%. Gangnam Style is assuming that the cost is about the same compared to the restaurant industry.

Table 4: Meat Cost

Ping's Food Co., Inc.	
8823 E Garvey Ave B3-B4 Rosemead, CA	
Item	Price Per Pound (\$)
Chicken Breast Meat	1.15
Chicken Thigh	0.69
Chicken Chop	0.59
Jumbo Chicken Leg	0.45
Loin Strip Beef	4.65
Beef Tenderloin	6.9
Short Ribs	3.8
Beef Shank	3.5
Beef Brisket	4.5
Pork	1.38
Pork Chop	1.45
Pork Boneless	1.38
Pork Belly	2.09

Break-even Analysis

For the break-even analysis, Gangnam Style assumes the costs include the full payroll, rent, utilities, food cost and other costs. Table 5 shows the break-even analysis for the restaurant.

Table 5: Break-Even Analysis

Break-Even Analysis	Monthly
Monthly Revenue Break -Even	\$130,238.04
Fixed Cost	
Lease of the Facility	\$6,750.00
Insurance	\$1,666.67
Marketing	\$6,666.67
Loan	\$10,000.00
Other	\$2,619.00
Labor &Benefits	\$61,120.00
Total Fixed Cost	\$88,822.34
Assumptions:	
Average Percent Variable Cost	31.80%
Estimated Monthly Fixed Cost	\$88,822.34

Projected Profit and Loss

In the Projected Profit and Loss Statement, Gangnam Style needs to come up with the gross margin for Gangnam Style. The Profit and Loss Statement does not include principal payment for the loan. The first three months for Gangnam Style will be tough, and the restaurant is going to lose money. However, the sales will go up after the first three months. The first few years will be difficult due to lack of reputation and a small customer base; the gross margin is not expected to change rapidly, although it will pick up towards the future.

Monthly assumptions for profit and loss are included in Appendix B

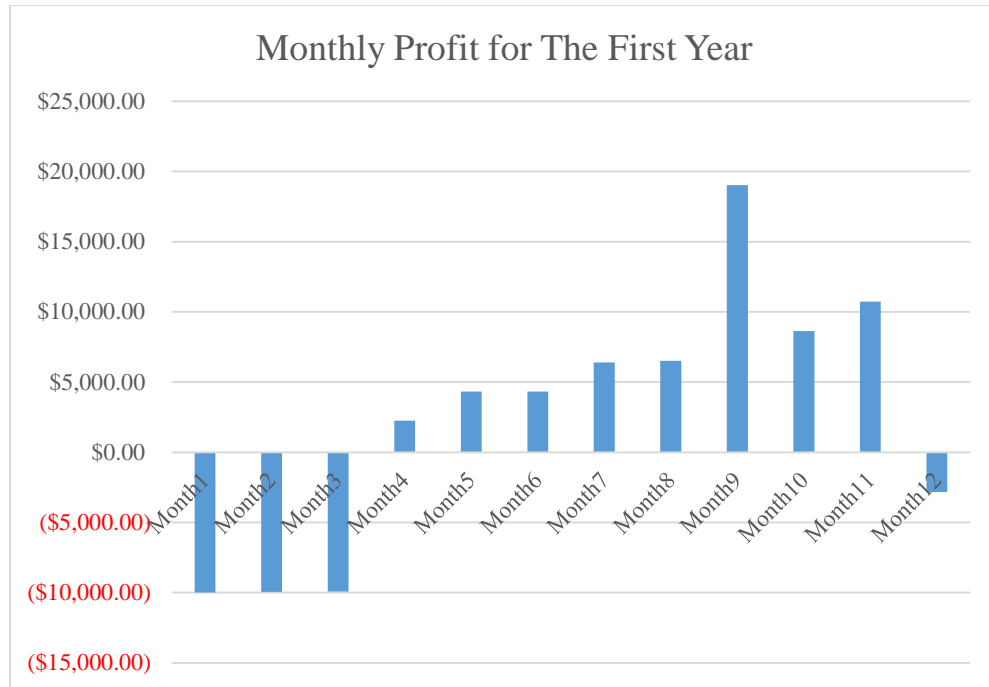


Figure 9: Monthly Profit for the First Year

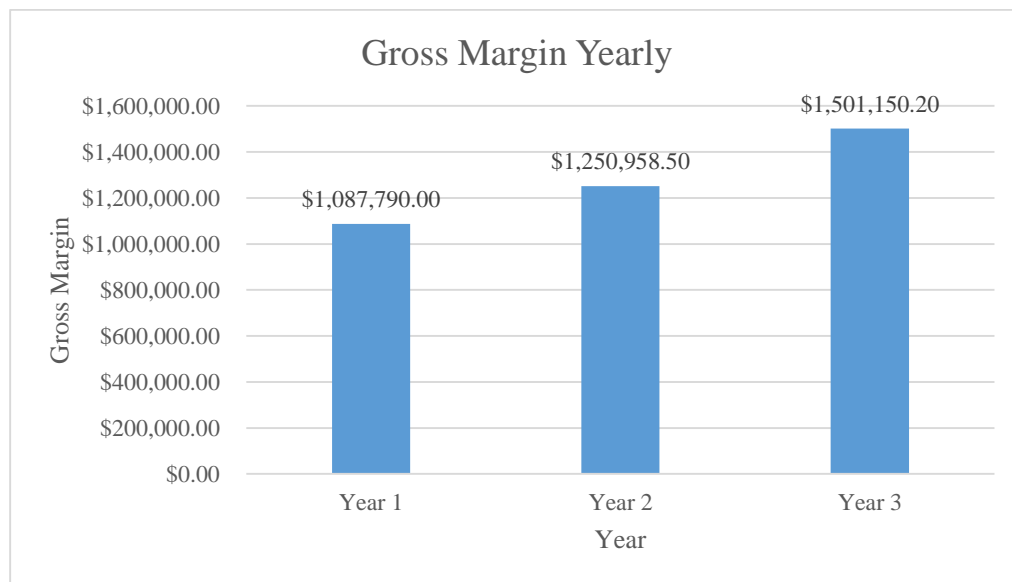


Figure 10: Gross Margin for the First Three Years

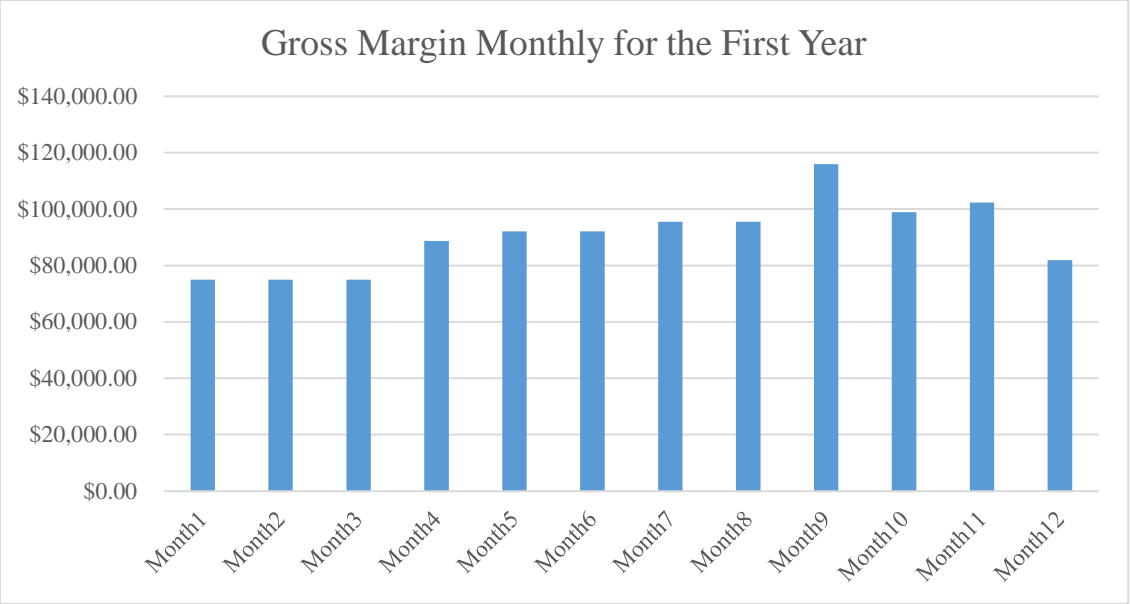


Figure 11: Gross Margin Monthly for the First Year

Table 6: Profit and Loss Statement for the First Three Years

Category	Year 1	Year 2	Year 3
Sales			
Food	\$1,298,330.00	\$1,493,079.50	\$1,791,695.40
Beverage	\$296,670.00	\$341,170.50	\$409,404.60
Total Sales	\$1,595,000	\$1,834,250	\$2,201,100
Cost			
Food	(\$412,868.94)	(\$474,799.28)	(\$569,759.14)
Beverage	(\$94,341.06)	(\$108,492.22)	(\$130,190.66)
Direct Cost of Sales	(\$507,210.00)	(\$583,291.50)	(\$699,949.80)
Gross Margin %	68%	68%	68%
Gross Profit	\$1,087,790.00	\$1,250,958.50	\$1,501,150.20
Controllable Expenses			
Payroll	(\$582,640.00)	(\$614,712.00)	(\$649,784.00)
Management Expenses	(\$140,000.00)	(\$160,000.00)	(\$180,000.00)
Utilities	(\$31,425.00)	(\$36,139.00)	(\$41,559.00)
Licenses and permits	(\$996.00)	(\$996.00)	(\$996.00)
Office Supplies	(\$804.00)	(\$804.00)	(\$1,204.00)
Marketing/Promotion	(\$80,000.00)	(\$60,000.00)	(\$60,000.00)
Repair & Maintenance	(\$8,833.00)	(\$9,500.00)	(\$10,100.00)
Depreciation 12.5%	(\$75,000.00)	(\$75,000.00)	(\$75,000.00)
Total Controllable Expenses	(\$919,698.00)	(\$957,151.00)	(\$1,018,643.00)
Occupancy Costs			
Rent	(\$81,000.00)	(\$85,000.00)	(\$90,000.00)
Insurance	(\$20,000.00)	(\$22,500.00)	(\$25,000.00)
Total Occupancy Costs	(\$101,000.00)	(\$107,500.00)	(\$115,000.00)
Income Before Interests & Depreciation			
	\$67,092.00	\$186,307.50	\$367,507.20
Interest Expense 3.5%	(\$17,325.00)	(\$13,125.00)	(\$8,925.00)
Earnings Before Income Taxes			
	\$49,767.00	\$173,182.50	\$358,582.20
Income taxes	(\$20,902.14)	(\$72,736.65)	(\$150,604.52)
Net Profit	\$28,864.86	\$100,445.85	\$207,977.68

Long-term Plan

The long-term plan for Gangnam Style is to expand its brand outside California. It is looking toward to become the largest Korean Chain Franchise restaurant company in

the United States. Management has set a five to seven-year plan to open Gangnam Style in New York and Washington D.C. The restaurant wants to share Korean barbeque with all Americans and other travelers.

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APPENDIX A

Personnel Plan

PERSONNEL PLAN		Column1	Column2	Column3	Column4	Column5	Column6	Column7	Column8	Column9	Column10	Column11	Column12	Column13	Column14	Column15	Column16
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2	Year 3	Year 4	Year 5
Chef 1	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$45,000	\$48,000	\$52,500	\$55,000.00	\$56,000
Chef 2	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$45,000	\$48,000	\$52,500	\$55,000	\$56,000
Shift manager 1	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$33,600	\$36,000	\$38,400	\$41,088	\$43,950
Shift manager 2	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$33,600	\$36,000	\$38,400	\$41,088	\$23,950
Prep Cook1	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$26,590	\$27,919.50	\$29,249	\$31,958	\$34,567
Prep Cook 2	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$2,216	\$26,590	\$27,920	\$29,249	\$31,958	\$34,567
Server/Host 1	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$13,295	\$13,960	\$14,625	\$15,979	\$17,284
Server/Host 2	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$13,295	\$13,960	\$14,625	\$15,979	\$17,284
Server/Host 3	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$13,295	\$13,960	\$14,625	\$15,979	\$17,284
Server/Host 4	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$13,295	\$13,960	\$14,625	\$15,979	\$17,284
Server/Host 5	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$13,295	\$13,960	\$14,625	\$15,979	\$17,284
Server/Host 6	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$13,295	\$13,960	\$14,625	\$15,979	\$17,284
Server/Host 7	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$13,295	\$13,960	\$14,625	\$15,979	\$17,284
Server/Host 8	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$13,295	\$13,960	\$14,625	\$15,979	\$17,284
Server/Host9	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$13,295	\$13,960	\$14,625	\$15,979	\$17,284
Server/Host 10	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$13,295	\$13,960	\$14,625	\$15,979	\$17,284
Busboys 1	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$13,295	\$13,960	\$14,625	\$15,979	\$17,284
Busboys 2	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$13,295	\$13,960	\$14,625	\$15,979	\$17,284
Busboys 3	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$13,295	\$13,960	\$14,625	\$15,979	\$17,284
Busboys 4	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$2,215.83	\$13,295	\$13,960	\$14,625	\$15,979	\$17,284
TOTAL	\$98,954	\$98,954	\$98,954	\$98,954	\$98,954	\$98,954	\$98,954	\$98,954	\$98,954	\$98,954	\$98,954	\$98,954	\$396,510	\$419,276	\$445,041	\$479,798	\$495,003

APPENDIX B

Profit and Loss Statement for the First Year

Month	Month1	Month2	Month3	Month4	Month5	Month6	Month7	Month8	Month9	Month10	Month11	Month12
SALES												
Food Sales	\$89,540.00	\$89,540.00	\$89,540.00	\$105,820.00	\$109,890.00	\$109,890.00	\$113,960.00	\$113,960.00	\$138,380.00	\$118,030.00	\$122,100.00	\$97,680.00
Beverage Sales	\$20,460.00	\$20,460.00	\$20,460.00	\$24,180.00	\$25,110.00	\$25,110.00	\$26,040.00	\$26,040.00	\$31,620.00	\$26,970.00	\$27,900.00	\$22,320.00
Total Sales	\$110,000	\$110,000	\$110,000	\$130,000	\$135,000	\$135,000	\$140,000	\$140,000	\$170,000	\$145,000	\$150,000	\$120,000
COSTS												
Food Costs	(\$28,473.72)	(\$28,473.72)	(\$28,473.72)	(\$33,650.76)	(\$34,945.02)	(\$34,945.02)	(\$36,239.28)	(\$36,239.28)	(\$44,004.84)	(\$37,533.54)	(\$38,827.80)	(\$31,062.24)
Beverage Costs	(\$6,506.28)	(\$6,506.28)	(\$6,506.28)	(\$7,689.24)	(\$7,984.98)	(\$7,984.98)	(\$8,280.72)	(\$8,280.72)	(\$10,055.16)	(\$8,576.46)	(\$8,872.20)	(\$7,097.76)
Direct Cost of Sales	(\$34,980.00)	(\$34,980.00)	(\$34,980.00)	(\$41,340.00)	(\$42,930.00)	(\$42,930.00)	(\$44,520.00)	(\$44,520.00)	(\$54,060.00)	(\$46,110.00)	(\$47,700.00)	(\$38,160.00)
TOTAL COST OF SALES	(\$34,980.00)	(\$34,980.00)	(\$34,980.00)	(\$41,340.00)	(\$42,930.00)	(\$42,930.00)	(\$44,520.00)	(\$44,520.00)	(\$54,060.00)	(\$46,110.00)	(\$47,700.00)	(\$38,160.00)
Gross Margin	\$75,020.00	\$75,020.00	\$75,020.00	\$88,660.00	\$92,070.00	\$92,070.00	\$95,480.00	\$95,480.00	\$115,940.00	\$98,890.00	\$102,300.00	\$81,840.00
Gross Margin %	68.2%	68.2%	68.2%	68.2%	68.2%	68.2%	68.2%	68.2%	68.2%	68.2%	68.2%	68.2%
Repair Expenses	(\$736.88)	(\$736.88)	(\$736.88)	(\$736.88)	(\$736.88)	(\$736.88)	(\$736.88)	(\$736.88)	(\$736.88)	(\$736.88)	(\$736.88)	(\$736.88)
Payroll	(\$48,555.00)	(\$48,555.00)	(\$48,555.00)	(\$48,555.00)	(\$48,555.00)	(\$48,555.00)	(\$48,555.00)	(\$48,555.00)	(\$48,555.00)	(\$48,555.00)	(\$48,555.00)	(\$48,555.00)
Utilities	(\$2,619.00)	(\$2,619.00)	(\$2,619.00)	(\$2,619.00)	(\$2,619.00)	(\$2,619.00)	(\$2,619.00)	(\$2,619.00)	(\$2,619.00)	(\$2,619.00)	(\$2,619.00)	(\$2,619.00)
Marketing	(\$6,667.00)	(\$6,667.00)	(\$6,667.00)	(\$6,667.00)	(\$6,667.00)	(\$6,667.00)	(\$6,667.00)	(\$6,667.00)	(\$6,667.00)	(\$6,667.00)	(\$6,667.00)	(\$6,667.00)
Licenses and permits	(\$83.00)	(\$83.00)	(\$83.00)	(\$83.00)	(\$83.00)	(\$83.00)	(\$83.00)	(\$83.00)	(\$83.00)	(\$83.00)	(\$83.00)	(\$83.00)
Depreciation 12.5%	(\$6,250.00)	(\$6,250.00)	(\$6,250.00)	(\$6,250.00)	(\$6,250.00)	(\$6,250.00)	(\$6,250.00)	(\$6,250.00)	(\$6,250.00)	(\$6,250.00)	(\$6,250.00)	(\$6,250.00)
Office Supplies	(\$67.00)	(\$67.00)	(\$67.00)	(\$67.00)	(\$67.00)	(\$67.00)	(\$67.00)	(\$67.00)	(\$67.00)	(\$67.00)	(\$67.00)	(\$67.00)
Insurance	(\$1,667.00)	(\$1,667.00)	(\$1,667.00)	(\$1,667.00)	(\$1,667.00)	(\$1,667.00)	(\$1,667.00)	(\$1,667.00)	(\$1,667.00)	(\$1,667.00)	(\$1,667.00)	(\$1,667.00)
Rent	(\$6,750.00)	(\$6,750.00)	(\$6,750.00)	(\$6,750.00)	(\$6,750.00)	(\$6,750.00)	(\$6,750.00)	(\$6,750.00)	(\$6,750.00)	(\$6,750.00)	(\$6,750.00)	(\$6,750.00)
Loan	(\$10,000.00)	(\$10,000.00)	(\$10,000.00)	(\$10,000.00)	(\$10,000.00)	(\$10,000.00)	(\$10,000.00)	(\$10,000.00)	(\$10,000.00)	(\$10,000.00)	(\$10,000.00)	(\$10,000.00)
Total Operating Expenses	(\$118,374.88)	(\$118,374.88)	(\$118,374.88)	(\$124,734.88)	(\$126,324.88)	(\$126,324.88)	(\$127,914.88)	(\$127,914.88)	(\$137,454.88)	(\$129,504.88)	(\$131,094.88)	(\$121,554.88)
Profit Before Interest and Taxes	(\$8,374.88)	(\$8,374.88)	(\$8,374.88)	\$5,265.12	\$8,675.12	\$8,675.12	\$12,085.12	\$12,085.12	\$32,545.12	\$15,495.12	\$18,905.12	(\$1,554.88)
Interest Expense 3.5%	(\$1,604.17)	(\$1,575.00)	(\$1,545.83)	(\$1,516.67)	(\$1,487.50)	(\$1,458.33)	(\$1,429.17)	(\$1,400.00)	(\$1,370.83)	(\$1,341.67)	(\$1,312.50)	(\$1,283.33)
Profit Before Tax	(\$9,979.05)	(\$9,949.88)	(\$9,920.71)	\$3,748.45	\$7,187.62	\$7,216.79	\$10,655.95	\$10,685.12	\$31,174.29	\$14,153.45	\$17,592.62	(\$2,838.21)
Income Tax	\$0.00	\$0.00	\$0.00	(\$1,499.38)	(\$2,875.05)	(\$2,886.72)	(\$4,262.38)	(\$4,274.05)	(\$12,469.72)	(\$5,661.38)	(\$7,037.05)	\$0.00
Net Profit	(\$9,979.05)	(\$9,949.88)	(\$9,920.71)	\$2,249.07	\$4,312.57	\$4,330.07	\$6,393.57	\$6,411.07	\$18,704.57	\$8,492.07	\$10,555.57	(\$2,838.21)