



SAMPLE RETAIL BUSINESS PLAN

Created by Northeast Entrepreneur Fund, Inc.

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THE SALSA COMPANY

1500 James Street
Lakeville, MN 12345

Business Plan

Ann and David Smith
January 5, 20XX



1.0 EXECUTIVE SUMMARY

Mission Statement

The Salsa Company was built on offering the highest quality and value in its authentic hot salsa, filled with the locally grown and organic ingredients. Knowledgeable consumers were looking for authentic products, filled with the best ingredients grown locally. The more sophisticated consumer is looking for something fresher and more authentic than canned or jarred salsa.

The Salsa Company started offering its unique product with hot and mild salsa. It has plans to add extra hot salsa and various specialty salsas using local fruits such as peaches, blueberries and apples. Eventually, the company plans to offer other products such as a private labeled corn chip and taco sauces. Constantly striving to supply locally grown foods with organic growers, we continually review what is available in the marketplace, and what isn't. Improving on what is available and providing new products and services to the areas of need will assure our success in a market driven by consumer demand.

Overview

This business will be a partnership between Ann and David Smith. There will not be any non-family employees at this time.

Location will be a leased building at 1500 James Street in Lakeville, MN.

Manufacturing space will be approximately 1500 sf. with the option to expand to 2500 sf. Area is divided into a commercial kitchen, coolers for storage and office space.

The space is located on ground level with a loading dock on James Street. There is a bathroom.

Parking space available in the rear for five cars and street parking in area of additional parking.

Inventory will include cooking equipment, coolers, commercial stoves, and commercial canning equipment. Inventory of ingredients will include canned tomatoes, two types of peppers, fresh onions, seasonings and packaging materials.

Investment will be from personal finances and business loan.

This is a new business with a vision of capturing the area market for fresh salsa using local and organic ingredients.

History of the Industry and Current Need

Salsa has overtaken ketchup as the condiment of choice for most consumers. It is eaten with chips, used in cooking, and added as a side dish for eggs to hamburgers. Traditional canned salsa has been successfully marketed for years in the canned goods section of supermarkets. Only recently has fresh refrigerated salsa using locally grown and organic ingredients become popular outside of specialty and farmers markets. More consumers are now demanding fresher products in their local super markets providing a unique opportunity to the Salsa Company.

Chips and salsa, which surpassed ketchup in U.S. dollar-volume sales in 1991, have become a perennial favorite. Salsa saw sales of \$931 million in 2008, or just more than 379 million jars, compared to ketchup's \$621 million in sales and 685 million units sold, according to Nielsen's. In just two weeks leading up to the 2009 Super Bowl, the sales of salsa reached 32 million dollars for that time period.

Salsa is popular because it is relatively healthy and not particularly complicated to make, said Jim Hiller, CEO and president of Southfield-based Hiller's Markets Inc. Hiller's Market carries more than 25 brands of salsa, including almost a dozen made locally. "Salsa is now more than a food," Hiller said. "It's a cultural icon." The market is crowded with competing labels, but a demand for innovation that includes "every imaginable fruit and vegetable" makes salsa a continuing viable market, Hiller said. The marketplace for salsa is robust because it's "subject to enormous creative energy," he said.

2.0 ORGANIZATION

Co-owners' Individual Responsibilities

David Smith will be responsible for managing issues related to ordering supplies, inventory, and facility maintenance. He has participated in various farmer markets and programs aimed at organic farmers. He has a strong network of local growers to outsource the necessary ingredients for making the salsa. David also worked for one year in a local food processing plant for Sallies Gourmet Organic Frozen Foods to learn more about how to run a manufacturing business. He left that company on good terms and will rely on them to help expand his manufacturing and processing floor as the company grows.

He will take on these duties, as he is very comfortable working with vendors, making telephone contact, and dealing with difficulties and complaints. His personality is very even and he has good communication skills. Last spring, David completed an Interpersonal Communications class and a Customer Service class at Lakeville Community College.

David is very comfortable with most repair and maintenance duties. He recently built a large addition to his home that included laundry, bathroom, and living facilities. He has also remodeled a rental home that he manages.

David has worked with the Small Business Program at Lakeville Community College and plans to continue to do so as this business grows.

Ann Smith will be responsible for sales and marketing the salsa. She worked as a sale manager in the produce department of her local food cooperative most recently. Before that, she was the produce manager at her local grocery store until she met David and they decided to develop a locally made salsa for distribution at farmers markets and specialty stores like a food coop. Ann has operated their sales booth at the ABC Farmers Market on Wednesdays and Saturdays. She also has developed their advertising and Facebook page for customers of the “real salsa”.

Ann has taken small business classes at Lakeville Community College as well as bookkeeping and photography. She will be attending the February training as described above with David.

Co-owners' Combined Responsibilities

Both Ann and David will share in decision making while keeping the business mission in mind. They will also share hours worked in sales at the Farmers Market as they develop the wholesale business to specialty grocery stores. Ann plans to keep her present employment and work in the business during off hours until the business shows a profit. Ann currently works 1080 hours/year in outside employment. Ann has extended periods of time off during the year, and she is usually able to leave at 2:30 p.m. on days she works.

The long-range goal is for David to quit his job when the business is successful enough to handle an owner's draw of \$4500/month. Ann plans to remain at place of employment. Ann can carry all insurance for the family, a benefit that would be very expensive to replicate in a small business. Her salary is also much higher for the lower number of hours worked per year than David's and would be able to support the family more easily during rough times in the business.

Supplemental Help

Ann and David's son will be able to work the company to help out. He will be turning sixteen and has basic cooking and processing skills. He will need to train with his parents for a while since he has never held a cooking or processing position previously. He is a hard worker and very responsible.

Both Ann and David's parents live locally and have had retail experience. They will help if needed in keeping the farmers market booth operational.

3.0 MANAGEMENT

Ann Smith

Master's degree – Northern State University
Business-related courses – Lakeville Community College
Excellent communication skills
Supervised produce department for two grocery stores
Develops and implements various training to industry
Established and managed booth at local farmers market for four years
Will complete training in managing a small business

David Smith

Radio communication education– United States Army
Served six years in United States Army
Effective interpersonal skills
Experience in construction trades and food manufacturing
Creates craft/wood items – enjoys gardening
Consultants

Sallies Organic Gourmet Frozen Foods (Brian Jensen) Springfield, IL

Has consulted with other organic food processing companies nationwide. Ongoing advice and training by phone. Subscription to industry marketing and idea food manufacturing

Whole Foods Coop (Mary Martine), Duluth, MN, Board of Advisors for the Salsa Company

Experience in managing retail and whole markets for organic and locally grown food. Willing to meet with the Smiths four times a year and be available for advice by phone. Will take to industry trade group and introduce to other specialty retail managers

4.0 MARKETING

Target Market

Salsa has now passed ketchup as America's favorite condiment. Isn't that amazing? According to Symphony IRI Group, a market research firm in Chicago, more than 396,376,100 units of mayo were sold in the 52 weeks to Sept. 5, 2010, generating



more than \$1.258 billion in sales, compared with 271,312,400 units of salsa for \$764,299,900, or 256,891,700 units of ketchup for \$481,278,800.

Organic locally grown food has become a priority for an increasing number of American households. Consumers are demanding specialty products that are made with locally grown ingredients and certified organic. In 2010, total U.S. food sales grew by less than one percent, while the organic food industry expanded by almost 8 percent.

Experiencing the most growth were organic fruits and vegetables, which reached nearly \$10.6 billion in 2010, up 11.8 percent from 2009. Even in the dismal economy of 2009, organic sales represented 5.1 percent growth over 2008. Organic has and continues to represent the single fastest growing area of the food sector.

Institutional demand is ever increasing as well. For the last two years, the top three trends identified by the National Restaurant Association were locally grown produce, locally sourced meats and sustainability. Hospitals and school systems are also seeking innovative, feasible and cost-effective solutions to increase the amount of fresh, local produce served.

"Knowing where food is made and grown is important to consumers," says Dave Skena, vice president of potato chip marketing at Frito-Lay. "Sharing with consumers how regional we are is relevant and compelling." *USA Today, 5/12/09*

Minnesota Farmers Market Growth - Number of Farmers Markets in the State

	2003	2004	2005	2006	2007	2008	2009	2010
Farmers Markets	9	12	18	27	51	62	85	106

Source: Minnesota Organics and Local Harvest

Analysis of our surrounding area including Lakeville, Greendale, Oak Park, Cedar Valley, Brower, and Kelley shows a population of 35,611 according to the 2010 Census data. There are 12,391 total households accounted for, therefore, it can be inferred that 2602 households in our immediate area would purchase salsa at a farmers market. Current information from farmers markets report the average customer purchases 1 to 3 containers of salsa per week at a farmers market with sales of between \$20 and \$30 per visit.

It has been further determined that more than 80% of salsa purchasers shop for salsa in specialty food stores or their local grocery store. This fact increases the likelihood that our target market will seek out fresh salsa at their local grocery store providing a larger market for the Salsa Company products.

Marketing will include an initial ad in the newspaper, Lakeville Daily Press business page story, radio spots around key events like Cinco de Mayo and the Super Bowl. Flyers will be designed by Ann for distribution at the Farmers Market and in selected stores. Flyers will be put up at community bulletin boards in Lakeville, Greendale, Oak



Park, Cedar Valley, Brower, Kelley, and Janeville. Notices will be sent to all friends and family in the area via mail and/or e-mail asking that the word be spread.

Contact will also be made with all of the chefs purchasing locally grown and organic foods for their restaurants. We will develop a direct mail piece to the 27 chefs in the 8 county region and will provide samples to those interested in the product.

On-going marketing will include monthly newsletters highlighting new products, tips for cooking with salsa and coupons. These will be distributed to customers at the farmers markets and through our mailing list. We have created a Facebook fan page for our customers and will use this form of marketing to reach our targeted female customer of 20 to 35 years of age.

We will have a few shirts and hats printed with our store name for family and friends to wear. We will create a web site page for product information and where to purchase our salsa.

Our business cards will be simple, yet eye catching to match our packaging with the company logo and tagline – Using the freshest ingredients.

Concerns

The biggest drawback for any business in our area is the unemployment due to the recent layoffs and business closures. It cannot be denied that reductions in our local industries and businesses will lead to less money in the marketplace. The positive side to this problem is that people are more health conscious and are willing to seek locally grown food for healthy eating. The recession while slowing has not as negatively impacted the organic food industry. Our growth goals are modest given our concern for the regional and national economy.

Another drawback for this area will be the aging of the population. Salsa is mainly a food for those from 20 to 35 year of age. Our business must encourage older customers to select organic and healthy food for themselves rather than the traditional canned salsa.

5.0 PRODUCT LINE AND SERVICES

Products

The Salsa Company began with a “hot” salsa made with locally grown and processed vegetables. The product was improved with the addition of using only organically grown vegetables from local certified organic farmers. Processed tomatoes are obtained from a local distributor during the winter months of the year. The one product was expanded to include a mild and a medium salsa for those not liking the intense heat of the hot salsa. Peppers are a major ingredient to our salsa with four types of peppers used in various amounts to obtain the flavor and the heat. Spices are obtained from an organic foods distributor in our community.



The company began experimenting with various other salsas including a peach and a blueberry salsa during the peak seasons for those fruits. We test the product at the Farmer's Market and sold out our inventory on the first day. We plan to develop the recipe and food processing to make these salsas year round through use of an organic distributor. We are developing a black bean and a corn salsa for the winter months. We plan to introduce this salsa next fall.

In all we plan to have 7 flavors of salsa as products of the company within the next year. We will target these products to different markets using seasonal fresh ingredients.

Our original processing equipment allowed us to make 35 to 50 containers of salsa per four hour shift. Our move to a commercial processing kitchen allows us to produce up to 450 containers per shift. We were able to purchase a used commercial food grinder to process the peppers in large batches.

Our typical sales of the "hot" salsa remain the highest with 100 to 150 containers sold each Saturday in our Farmer's Market booth. We provide special orders for parties with pickup at the Market. We added five local restaurants with the chefs or an assistant picking up a week's supply of salsa at the market. This has increased on our sales 20% with the use of larger containers for the restaurant customers.

Competition

Salsa has continued to develop with other companies also producing locally made salsa. Only one other company is using organic ingredients and in direct competition with The Salsa Company. There are seven main competitors in this area. Appendix A shows a table comparing each.

Traditional Salsa brands like Chi-Chi's and Tostadas are the largest selling products in the canned salsa market. Paul Newman's Salsa has produced several flavors of salsa using organic products but this is a canned product. In the produce and/or dairy case fresh salsas include products produced by a deli company and the ABC Company.

Four other competitors make a fresh salsa with minimal processing but these companies do not use organic products. The other company that has recently introduced a line of salsa using both local and organic ingredients is Annie Marie's Salsa. This product is sold only at 3 of the 9 Farmer's Markets in our region. Annie Marie's Salsa is sold at one specialty grocery store in the region. Of our 9 specialty stores, only three carry fresh salsa in their produce departments and one in their deli department.

We believe our unique advantage over our competitors is the flavor and quality of our salsa. We use a base of organic and fresh ingredients providing us with a competitive advantage for our customers. We aim our product at the discerning individual seeking the freshest and the healthiest salsa they can find on the market. Our bright packaging with a bull on the label provides brand recognition for us with the bold red and green



colors in our logo. We believe that once someone tests and tries our salsa they come back as loyal customers making a weekly to bimonthly purchase of the salsa.

Web Site

We maintain an active website with product descriptions, information on our farmers and cooking recipes for using the salsa. We have worked to build brand recognition by using the web address in our advertising and marketing. Many customers find the product on line and use the information to track our sales booths and schedule of deliveries to various stores. We keep a live web cam on the site showing our production facility when we are processing the salsa and have live interviews with a number of our farmers.

6.0 FINANCIALS

Costs required for the start-up of this business are listed in the appendix, page 10.

Two-year projections for The Salsa Cash Flow can be found in the appendix, pages 11-12.

Assumptions based on research used in determining the figures include the following:

- 2602 households in this geographical area would purchase salsa during the year.
- \$25 per customer sale is average according to our sales experience .
- 2 percent of those households in our region would make one \$25 purchase per week at The Salsa Company with \$ 500 purchased during the first year.
- Salsa sales increase around Cinco De Mayo and the Super Bowl, football season and the summer months for picnics and parties.
- January and May will be higher sales months because of holiday gift purchases.
- Through expanded product line and introduction in three specialty stores, sales will increase approximately 6% during year two.



START-UP COSTS – THE SALSA COMPANY

Legal	75
Marketing	750
Business Insurance	250
POS Software	995
Rent Deposit	1,200
Office/Store Supplies	175
Inventory	35,000
Training	2,476
Barcode Scanner	189
Receipt printer	319
Cash register	275
Computer	995
Printer	159
Shelving	7,489
Signs	395

Total **50,742**

Funding

Owner Contribution	12,500
Lender/Bank	38,242



THE SALSA COMPANY - CASH FLOW PROJECTION FOR YEAR ENDING - FIRST CALENDAR YEAR

	START	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTALS	% Sales
1 TOTAL SALES		0	0	0	6,000	6,880	4,920	4,720	5,070	5,745	7,105	7,730	7,885	55,855	100.0%
2 Merchandise sales					6,000	6,500	4,700	4,500	4,850	5,325	6,625	7,250	7,525	53,275	95.4%
3 Class Tuition						200	100	100	100	240	240	240	100	1,320	2.4%
4 Crop Fees						180	120	120	120	180	240	240	60	1,260	2.3%
5 TOTAL CASH IN FROM SALES		0	0	0	6,000	6,880	4,920	4,720	5,070	5,745	7,105	7,730	7,885	55,855	100.0%
6 CASH OUT FOR GOODS															
7 Purchase for Inventory	35,000				2,861	3,100	2,241	2,146	2,313	2,839	3,775	3,774	3,589	61,638	110.4%
8					(2,861)	(3,100)	(2,241)	(2,146)	(2,313)	(2,839)	(3,775)	(3,774)	(3,589)	0	0.0%
9 TOTAL CASH OUT FOR GOODS	(35,000)													(61,638)	-110.4%
10 CASH OUT FOR OPERATIONS															
11 Rent	600				600	600	600	600	600	600	600	600	600	6,000	10.7%
12 Ins-General liability	250				60	60	60	60	60	60	60	60	60	790	1.4%
13 Telephone					80	80	80	80	80	80	80	80	80	720	1.3%
14 Advertising	750				80	80	80	100	100	100	135	135	135	1,695	3.0%
15 Store Supplies	175				35	35	35	35	35	35	35	35	35	490	0.9%
16 Office Supplies	995				50	50	50	50	50	50	90	90	90	1,565	2.8%
17 Postage					15	15	15	15	15	15	15	15	15	135	0.2%
18 Bank fees					5	5	5	5	5	5	5	5	5	45	0.1%
19 Legal & Accounting	75													75	0.1%
20 Training	2,476													2,476	4.4%
21														0	0.0%
TOTAL CASH OUT FOR OPERATIONS	(5,321)				(925)	(925)	(925)	(945)	(945)	(945)	(1,020)	(1,020)	(1,020)	(13,991)	-25.0%
23 NET CASH FROM OPERATIONS	(40,321)				2,214	2,855	1,754	1,629	1,812	1,961	2,310	2,936	3,076	(19,774)	-35.4%
24 OTHER CASH IN															
25 Loan proceeds - Microenterprise loan (NEF)	38,242													38,242	68.5%
26 Owner contributions	12,500													12,500	22.4%
28 TOTAL OTHER CASH IN	50,742				0	0	0	0	0	0	0	0	0	50,742	90.8%
29 OTHER CASH OUT															
30 Closing costs														0	0.0%
31 P&I Debt Service					790	790	790	790	790	790	790	790	790	7,110	12.7%
32 Owner Draw														3,100	5.6%
33 Taxes, on Owner Draw														0	0.0%
34 Working Capital	600													600	1.1%
35 Equipment	9,821				(850)	(850)	(850)	(1,350)	(1,350)	(1,350)	(1,350)	(1,350)	(1,450)	10,361	18.5%
TOTAL OTHER CASH OUT	(10,421)				(850)	(850)	(850)	(1,350)	(1,350)	(1,350)	(1,350)	(1,350)	(1,450)	(21,171)	-37.9%
37 NET CHANGE IN CASH					1,364	2,005	904	279	462	611	960	1,586	1,626	9,797	17.5%
38 BEGINNING CASH	1	1	1	1	1	1,365	3,370	4,274	4,553	5,015	5,626	6,586	8,172	1	0.0%
39 ENDING CASH BALANCE	1	1	1	1	1,365	3,370	4,274	4,553	5,015	5,626	6,586	8,172	9,798	9,798	17.5%

These projections present information that is the representation of the business owner/manager for the purpose of business planning, and should not be used for any other purpose. These projections do not include an evaluation of the assumptions or any form of assurance of the achievability of the projections.