

SAMPLE BUSINESS PLAN: HARD LUCK CAFE

300 East Ivy Lane
Moose Mountain, NH 03330
November 1, 200X

Ronald Smith, Commercial Lender
Megabank New England
1200 Main Street
Moose Mountain, NH 03330

Dear Mr. Smith:

I am submitting the following proposal for your consideration.

After a careful study of the market, I believe that Moose Mountain needs and will support a small breakfast and lunch café in the downtown area. Thousands of people visit Main Street every day for a variety of reasons: for business, to work, shop, or just sightsee. My café would serve them a quality meal at a reasonable price. The proposed location is 200 Main Street, which is available at a very good rent and is an excellent spot for a restaurant.

I have fifteen years of experience in the food industry. I have waitressed, cooked, and managed restaurants. I know how to order the best food in the right amounts, and how to manage employees effectively. I also enjoy the public and understand what they are looking for and need.

I am requesting a loan of \$30,000 for 5 years. This loan, along with my own investment of \$10,000, will enable me to purchase equipment, renovate 200 Main Street, stock up, and establish a working capital reserve. As you will see in the business plan, my most conservative estimates show that my Hard Luck Café will easily pay back the loan as well as cover all expenses, including owner's draw.

Thank you for your consideration of my request.

Sincerely,

Rosie Jenkins

Hard Luck Café Business Plan

I. Ownership

- The Hard Luck Café will be a sole proprietorship owned by Rosie Jenkins. Rosie Jenkins will also manage the café and will be solely responsible for financial and employee management.

II. Description of Business

- The Hard Luck Café will be located at 200 Main Street, Moose Mountain, NH, and will seat 20 patrons at a time. The rent is \$600 a month, with a five-year lease available. The site consists of a dining room, 20x20 square feet, a kitchen, 15x15 square feet, two bathrooms, and a storage room in back. To be used as a restaurant, this storefront needs to be plumbed and wired appropriately. Painting, new floors, and countertops are also needed. Due to materials bought on sale and volunteer labor, the cost to renovate will be \$5,000.
- The kitchen will be equipped with a commercial stove, refrigerator, freezer, walk-in-cooler, oven, microwave, and small commercial dishwasher. Due to the diligent searching out of bargain (but quality) equipment, the cost will be \$20,000. The walk-in cooler will be custom built. Other start-up expenses will be dishes, furniture, food inventory, rent deposit, and marketing.
- The Hard Luck Café will serve a basic American-style breakfast and lunch, with an emphasis on healthy, tasty food. Low-fat recipes will be used whenever possible in such a way as not to sacrifice taste or appeal. Menu items for breakfast will range from \$1.99 - 4.99. Lunch items will range from \$2.50 - 5.99. Daily soups and specials will be offered. See the attached menu for details. Hours of operation will be 6:30 a.m. - 2:30 p.m., 6 days a week, and 8:00 a.m. - 3:00 p.m., Sundays.
- Rosie Jenkins will be head cook, and additional staff will consist of a part-time back-up cook and two waitresses. During slow times, only one waitress will be used. Experienced staff has already been located.

III. Market Information

The Industry - Eating out is a growing trend, since people are increasingly pressed for time and enjoy this convenience. Breakfast and lunch are popular, as workers and business owners often choose not to 'brown bag' meals. Choosing healthy, low-fat food is a concern, but studies have shown that people are ambivalent about it and continue to choose high-fat foods.^{1[2]} The menu will address this by preparing favorites in such a way that people won't realize that much of the unhealthy fat has been removed.

- Customers - The Hard Luck Café will serve several customer groups. They are detailed as follows:
 - Business Owners & Workers - During the week, 2000 people work in Moose Mountain. Most of them work early in the morning, so the café will open at 6:30. This group includes managers, factory employees, retail clerks, professionals, tradesmen, laborers, and other food service workers. This group will form the base clientele, as many will be repeat customers. A number of tradesmen who have promised to patronize the café every day. Fast, accurate service will be provided, as these customers often have limited time to eat.
 - Local Residents - Many local residents come to Moose Mountain to shop on the weekend. During the week those locals who have a day off, are elderly, or don't work for whatever reason will be customers. Breakfast out on weekends is a local tradition, and lunch will be popular with hungry shoppers.
 - Tourists - Moose Mountain receives thousands of visitors a year. Most of them come in the summer and fall seasons, with a few during the winter for skiing. The tourist trade will nicely round out the sales, which will firmly rest upon the local base. Brochures from lodging establishments and attractions will be displayed in the café, along with maps and other information. The Hard Luck Café will be known as a friendly place to stop and get directions as well as good food and coffee.
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Hard Luck Café Business Plan

- The Competition - The Competitor Matrix below shows the Hard Luck Café in comparison to its competitors:

	Seats	Meals	Pricing	Hours	Other
Hard Luck Café	20	Breakfast/Lunch	*	6:30-2:30p.m	
Dunkin Donuts	20	Donuts/Soups	*	24 Hours	no full meals
Local Donuts	10	Donuts/Sandwich	**	7:00-3:00	no full breakfast
Auntie Ems	30	3 meals/day	*	7:00-9:00p.m	Outdated menu/ high priced/ other end of Main Street
The Pinecone	50	3 meals/day	**	7:00-9:00p.m	owners ready to retire/old building/ no parking/slow service
Jiffy Stop, Ervins, Shell	none	pastries/coffee	*	24 hours	no seating or full meals

The Hard Luck Café will offer a fresh point of view on Main Street. The menu will change frequently, the service will be good, and the food will be the best. The restrooms will be clean.

- Market Strategy - In addition to an overall strategy, different approaches and methods will be used for the customer groups.
 - Overall - The Hard Luck Café will present an image of wholesome, healthy food in an attractive and clean atmosphere. The floors will be black and white tile, the curtains and tablecloths will be red and white check, and work by local artists will hang on the walls. The sign will be large enough to be read from the street, and will be designed to promote the Café's image. Comment cards will be at each table and will be collected at the register. Suggestions for new or improved meals will be sought, as well as feedback on service and the dining experience.
 - Local Residents & Workers - Small ads will be placed weekly in the dining section of the local newspaper. Specials will be promoted with an A-frame sign, and during slow periods coupons and '2-for-1' deals will be offered. Menus will be distributed to local businesses and the faxing-in of orders will be encouraged. Take-out will be attractively boxed and given equal priority to sit-down services.

Hard Luck Café Business Plan

- Tourists - Menus will be distributed to the local lodging establishments to encourage their guests to come to the Café. Advertisements and listings will be placed in state wide and regional tourist guides and publications. Menus will also be placed at information booths and other spots likely to have tourist traffic.
- Other - Pricing will be competitive and customer service excellent. The café will stand behind the food, and if anyone is not satisfied, the item will be replaced or taken off the bill.

IV. Management

- Resumes - Attached are resumes for the staff of the Hard Luck Café. Rosie Jenkins has over fifteen years experience in the restaurant business. Five of those years were spent as manager of the Top Notch Restaurant in Moose Mountain, NH.

Accounting and Cash Management Systems - An electronic cash register has already been purchased. This register is capable of tracking sales of various items, recording the different operators, and displaying the correct amount of change due for cash transactions. Numbered sales slips will be used, and each book signed for in a log book. All slips will be accounted for. The Hard Luck Café will accept credit cards and a credit card machine will be purchased.

Rosie Jenkins will prepare deposits and take them to the bank daily. All checks will be written and signed by Ms. Jenkins, and she will keep the restaurant books on the Quick Books software program. Ms. Bea N. Counter, CPA, will prepare tax returns and quarterly payroll and tax reports.

Hard Luck Café Business Plan

V. Financial Information

- Tax Returns - The last three years of Rosie Jenkins's tax returns are attached, as well as a personal financial statement.
- Sources and Uses of Funds -

Sources	
Owner's Investment	\$10,000
Loan	30,000
Total Sources	\$40,000
Uses	
Purchase of Equipment	\$20,000
Renovations to leasehold	5,000
Rent deposit	600
Furniture	1,000
Dishes/glassware/silverware	1,000
Cookware	1,000
Supplies	500
Compressor	500
Food Inventory	5,000
Advertising	1,000
Insurance	1,000
Worker's Comp	1,400
Working Capital	2,000
Total Uses	\$40,000

- Cash Flow Statement – The Hard Luck Café is projected to open in mid-June, and the cash flow statement (Attachment A) reflects only two weeks of revenue for the month. Attachment B lists the assumptions that were used in preparing the cash flow & Assumption C shows the revenue & labor calculations. Attachment D shows the break-even point both with and without owner's withdrawal. Owner's withdrawal can be adjusted during the slow seasons if necessary. The Hard Luck Café is opening at the beginning of the busy season, which will help it get off to a good start cash-wise.

Hard Luck Café Business Plan

VI. Attachments

- Proposed Menu
- List of Equipment & Items to be purchased
- Quotes on Renovations
- Beginning Food and Supplies Inventory
- Resumes
- Jenkins Tax Returns and Financial Statement
- Attachment A – Cash Flow Statement
- Attachment B – Assumptions
- Attachment C – Revenue/Labor Worksheet
- Attachment D – Break-even Worksheet
- Lease for 200 Main Street
- Floor plan

Hard Luck Café Business Plan

Hard Luck Café		Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8	Period 9	Period 10	Period 11	Period 12	TOTAL
Projected Cash Flow														
	Pre-	June	July	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	
	Open	2 weeks												
CASH ON HAND - BEGINNING	10,000	\$2,000	\$10,034	\$16,021	\$22,007	\$26,994	\$25,420	\$22,970	\$22,140	\$22,310	\$22,480	\$18,930	\$19,100	\$10,000
CASH RECEIVED:														
Breakfast Sales		\$6,300	\$12,600	\$12,600	\$12,600	\$6,300	\$4,200	\$6,300	\$6,300	\$6,300	\$4,200	\$6,300	\$6,300	\$90,300
Lunch Sales		6,300	12,600	12,600	12,600	6,300	4,200	6,300	6,300	6,300	4,200	6,300	6,300	\$90,300
Loans	30,000	0												\$0
TOTAL RECEIPTS		\$12,600	\$25,200	\$25,200	\$25,200	\$12,600	\$8,400	\$12,600	\$12,600	\$12,600	\$8,400	\$12,600	\$12,600	\$180,600
TOTAL CASH AVAILABLE	40,000	\$14,600	\$35,234	\$41,221	\$47,207	\$39,594	\$33,820	\$35,570	\$34,740	\$34,910	\$30,880	\$31,530	\$31,700	\$190,600
CASH PAID OUT:														
Food Purchases	5,000	\$0	\$10,080	\$10,080	\$10,080	\$5,040	\$3,360	\$5,040	\$5,040	\$5,040	\$3,360	\$5,040	\$5,040	\$67,200
Gross Wages		1,787	3,574	3,574	3,574	3,574	2,080	2,080	2,080	2,080	2,080	2,080	2,080	\$30,643
Payroll Expenses		179	357	357	357	357	208	208	208	208	208	208	208	\$3,065
Owner's Draw/Salary		1,500	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	\$34,500
Supplies	500	0	200	200	200	200	200	100	100	100	100	100	100	\$1,600
Repairs and Maintenance	5,000	0	50	50	50	50	50	50	50	50	50	50	50	\$550
Advertising	1,000	0	200	200	200	200	200	200	200	200	200	200	200	\$2,200
Car, Delivery and Travel														\$0
Accounting and Legal											200			\$200
Rent	600	600	600	600	600	600	600	600	600	600	600	600	600	\$7,200
Telephone		100	100	100	100	100	100	100	100	100	100	100	100	\$1,200
Utilities		400	400	400	400	400	400	400	400	400	400	400	400	\$4,800
Insurance	2,400	0			1,000			1,000			1,000			\$3,000
Furniture	1,000	0												\$0
Dishes/Cookware	2,000	0												\$0
Miscellaneous (unspecified)														\$0
Loan Principal Payment & Int			652	652	652	652	652	652	652	652	652	652	652	\$7,172
Capital Purchases	20,500	0												\$0
Reserve and/or Escrow														
TOTAL CASH PAID OUT	38,000	\$4,566	\$19,213	\$19,213	\$20,213	\$14,173	\$10,850	\$13,430	\$12,430	\$12,430	\$11,950	\$12,430	\$12,430	\$163,330
CASH POSITION	2,000	\$10,034	\$16,021	\$22,007	\$26,994	\$25,420	\$22,970	\$22,140	\$22,310	\$22,480	\$18,930	\$19,100	\$19,270	\$27,270

ATTACHMENT B

Assumptions

REVENUE	see Attachment C
LABOR	see Attachment C
PAYROLL TAXES	10% of wages for fica and state unemployment tax
FOOD	40% of sales
RENT	\$600/month
ELECTRICITY	\$400/month
TELEPHONE	\$100/month
BUSINESS INSURANCE	\$4000/year, paid quarterly, first payment in opening month
WORKER'S COMP	\$4.57 per \$100 in wages, \$1400/year, paid in opening month
LOAN	\$30,000 @ 11% for 5 yrs: \$652/month
ACCOUNTANT	\$200/year paid at end of calendar year for tax return prep.
MAINTENANCE	\$50/month
OWNER'S DRAW	\$3000/month, \$1500 in first month (1/2 month)
ADVERTISING	\$200 month, first month \$1000 (from loan)
SUPPLIES	\$200 month-busy season, \$100 month-slow season
FIRST MONTH-JUNE	Busy season, but open only 2 weeks so sales & labor are 1/2 of busy month estimates

ATTACHMENT C

Revenue & Labor Worksheet

REVENUE

Revenue Per Day:

Capacity: 20 seats
 Turn-over: 2 x per hour
 Hours open: 8

Maximum customers per day: 320

Mix Between Breakfast and Lunch: 62.5/37.5

Average Ticket at Breakfast: \$3

Average Ticket at Lunch: \$5

Maximum Revenue per day: $\$3 \times 320 \times .625 = \600

$\$5 \times 320 \times .375 = \600

Maximum Revenue per week: \$8,400 (7 days)

Maximum Revenue per month: \$33,600 (4 weeks)

Note: 4 week month used for purposes of this exercise

At busiest time, average sales are 75% of capacity, or \$25,200

Slow time, average sales are 1/2 of the busy season, or \$12,600

Nov, Mar, average sales are 1/3 of the busy season, or \$8,400

Note: Breakfast and lunch sales are half each of a month's projected sales
 are each half of a month's projected sales

LABOR

Labor/week	Busy	Slow
1 cook	$\$10 \times 8 \times 7 = \$560/\text{week}$	$\$10 \times 8 \times 5 = \$400/\text{week}$
waitresses	$2 \times \$3 \times 8 \times 7 = \$336/\text{week}$	$\$3 \times 8 \times 5 = \$120/\text{week}$

* Note: First month of operation, June, is considered busy season, but restaurant will open June 15th.

ATTACHMENT D

Break-even Point

Yearly Fixed Costs	Budget
Payroll	\$30,643
Payroll Expenses	3,065
Rent	7,200
Utilities	4,800
Telephone	1,200
Insurance	4,000
Worker's Comp	1,400
Supplies	2,000
Advertising	3,200
Maintenance	600
Accounting	200
Loan payment	7,172
Total	\$65,480

w/owner's draw \$101,480

Contribution margin: .60 (Cost of food 40%)

Break-even formula: fixed costs divided by contribution margin

$B/E = 65480 / .6 =$	\$109,133	Average monthly sales:	\$9,094
$B/E = 101480 / .6 =$	\$181,888	Average monthly sales:	\$15,157