



appetif

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Business Financial Plan
Monta Vista High School, CA
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Executive Summary

With the modern boom in the popularity and prevalence of food delivery, Appetif LLC aims to become the standard in recreational fine-dining. By bringing luxury restaurant-like food, service, and atmosphere to everyone's dining room table, the expensive dinner place a 75 minute drive away is now at the consumer's doorstep. Appetif aims to be the intersection of the convenience and popularity of food delivery with the industry and class of restaurant fine-dining.

Users will create a party and invite people to their home, and one of Appetif's experience hosts will deliver the ordered food and serve the role of a waiter setting up the dinner. The experience hosts set up the customer's table as well as serve the food, eloquently presenting a fine-dining restaurant service. Appetif will act as a unique and modern alternative to restaurants, striving to create a consumer dining experience that not only provides luxury food but provides a more social and personal atmosphere doing so. Over the next several years, Appetif will aim to create a company culture based on quality of service, and build a reputation as a high-end luxury dining service that people come back to after their first experience.

Appetif will target two main groups of individuals as part of their target market. Primarily, college graduates between ages 25 and 44 due to their higher discretionary income, as well as their constant search for modern and unique ways to dine in luxury. A secondary target market will be executive dining for business banquets and events. Appetif will provide catering services for them and will help foster strong relationships among businesses and their employees.

Appetif will be incorporated as an LLC in California. Appetif will obtain a \$500,000 secured line of credit from Wells Fargo as the required loan for our financial plan. A line of credit is preferred to one-time disbursement loans because it allows Appetif to minimize credit utilization and therefore interest payments when unnecessary, while still providing capital as needed. Due to seasonal fluctuation of demand and unpredictable consumer influxes, the flexibility of a line of credit is optimal for Appetif. Appetif owners have a proven business expertise and credit history, and Appetif market research has shown a definitive demand.

Appetif will lease and renovate a warehouse at 172 Commercial Street in Sunnyvale, California that will serve as Appetif's main kitchen and distribution hub. This location places Appetif in the center of its target market and allows fast access and delivery to its consumers. Owner Mark Solomonik will act as CEO and will be responsible for Appetif's execution of fine-dining services, Manasi Navalgundkar will act as CMO, and will lead Appetif's external operations, and William Hsu will act as COO, and will manage internal operations and logistics.

Working in the fine dining industry, Appetif's main risks include the risk of foodborne illnesses, kitchen hazards such as slips and falls, and employee wage and hour claims. These risks will be mitigated through proper employee training in programs such as Stay Safe in the Restaurant from OSHA, as well as by keeping detailed payroll records and following the Fair Labor Standards Act.

Initially, startup costs of approximately \$350,000 will be covered by owner investment, distributing company equity proportionally. Startup costs mostly include renovation, vehicle purchase, lease requirements, and permits. In regular operation, approximately 70% of expenditures is payroll and 9% of expenditures is cost of goods. Based on market research, Appetif projects roughly 1,240 units (full-course meals) served in year 1, scaling up to 24,172 by year 5. Conservative estimations put Appetif's break-even point at year 4.

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Introduction

Description of Business

Due to the ease of modern online food ordering, a 79% increase in the U.S. food delivery market from \$43 billion to \$76 billion is predicted to take place by 2022.¹ Appetif will help meet this growing demand in the food delivery industry with its own kind of food delivery service: a unique fine dining experience in a variety of cuisines, all within the comfort of the consumer's own home. The menu will consist of luxury, restaurant-quality meals, complete with gourmet desserts and wine pairings.

Appetif will implement digital ordering through its website and mobile application to simplify the process of ordering food, while facilitating personalized service through customizations, feedback, and recommendations. Through Appetif's website, users can invite guests to an event, and Appetif's "experience hosts" will deliver the entrees and complete luxury experience to a location of the user's choice. Host party creation will be guaranteed to take less than 7 minutes. There will be four payment options to simplify billing for the host: each guest pays for what they ordered, the host pays for all, everyone pays an equal amount, or a custom setting.

With formal wait staff professionalism and customer-oriented service, the experience hosts will set up the table, give a restaurant-style presentation of the meal, and ensure that the luxury experience is complete. Complete customization of the experience in the consumer's home, disposable utensils and portable meal boxes, as well as high-quality food with a familiar atmosphere in a fresh environment, will create an unparalleled fine dining experience that revolves around the client. This unique experience will serve as an alternative to clamorous restaurants with excessive wait times and difficult reservation processes. Appetif aims to create a more personal, intimate fine-dining experience for all luxury diners.

Assumptions

Externally, national socioeconomic conditions will not decline significantly in the next 8 years, with the economy growing steadily without major recessions. A stable if not increasing available market will be available without sudden disruptions or major shifts in consumer tastes and preferences. As the past 6 years have seen GDP growth of around 6.8% percent; the Bay Area's population will increase by a projected 10% percent in the next 10 years according to the MTC². As such, the food-delivery industry will continue to grow alongside a prospering Bay Area economy, and the market for food delivery and luxury restaurants will increase as well.

Internally, relatively stable conditions are assumed, as severe employee underperformance will not occur, and Appetif will be able to keep up production as its customer base grows. Appetif will rigorously train the experience hosts with a 2-week paid orientation shortly after employment to ensure this, and kitchen staff will be strictly screened to require proper knowledge, training, and experience on food safety and preparation. Management will also ensure successful staff performance with interviews and background checks, and only chefs with a minimum of 3 years of experience will be hired. Market share of Appetif will increase in year 2 by 300%, slowing down to a 20% increase in subsequent years. Appetif will also develop a substantial base of repeat customers by year 4, with the majority of customers being repeat customers. We are assuming an around 1% increase in income per year for our target market as well, resulting in an increasing restaurant expenditure, based on trends for median income in the Bay Area.³

Financial Information

Appetif's startup costs will be mostly covered by owner investment, which includes renovation, initial



permits, initial lease requirements, and other miscellaneous costs. Appetif will obtain a secured line of credit from Wells Fargo in order to cover variable expenses and any unexpected changes in consumer demand or the supply chain. Due to the unpredictable variation of Appetif's demand, a line of credit is the best option relative to one-time disbursements as it offers Appetif the opportunity to minimize credit utilization and interest payments when unnecessary while still having capital when needed.

Appetif plans to reach the break-even point by the end of Year 4. Initial investment will total approximately \$450,000. Including startup costs, Appetif will operate at a net loss in Year 1, with a projected \$73,000 in revenue and \$470,000 in operating expenses. Revenue is conservatively estimated to increase up to \$1,500,000 by Year 5.

Company Description

Legal Form

Appetif will be incorporated as a Limited Liability Company (LLC) in Sunnyvale, California under owners Mark Solomonik, Manasi Navalgundkar, and William Hsu. As an LLC, Appetif owner liability is mitigated not surpassing an owner's equity; double taxation due to corporation entity status is avoided.⁴ Owners will maintain firm control over business operations and structure, allowing the flexibility to adapt due to volatile conditions in the early stages of new business. Under California Corporate Code 1505, Appetif must establish a registered agent to perform service of process on its behalf as an LLC in the state of California.⁵ Registered agent Mark Solomonik will file for an LLC, complete the certificate of formation and operating agreement, and apply for both an Employer Identification Number (EIN) and a Unified Business Identification Number (UBIN).

Governance

Mark Solomonik - CEO

Mark Solomonik began his restaurateur management journey as an entry-level waiter at Pamplemousse, a leader in the fine dining industry; following his success, he co-sponsored Primby, an online platform for discount and promotion coordination between restaurants and customers. With his fine dining management experience, Mr. Solomonik is highly capable as a CEO of Appetif, having the ability to manage, hire, and train the staff on hospitality, as well as run day-today kitchen operations, and build Appetif's brand as a high-end dining service.

Manasi Navalgundkar - CMO

Manasi Navalgundkar specializes in enhancing the customer experience through external operations. Her education includes an MBA with a focus on marketing from UC Berkeley's Haas School of Business and was former marketing executive of Crispin Porter & Bogusky (CP+B), where she worked on many notable marketing campaigns including those of Domino's, Microsoft, and Nike. Following CP+B, she joined Primby to explore the restaurant industry, and has now begun her own startup after exposure to the current market for luxury dining and the needs of consumers in it.

William Hsu - COO

William Hsu will be responsible for managing logistics and internal operations. Mr. Hsu's education consists of a Bachelor of Science in Electrical Engineering and Computer Science from UC Berkeley and an MBA from Stanford Graduate School of Business. His background in both business operations and



technology will allow Appetif to streamline their operations and finances. Following his time at Primby, he worked at Square, a financial servicing and mobile payment business; now, he aims to explore new markets by venturing into the restaurant industry through Appetif.

Location

Appetif's brick-and-mortar kitchen will be located at 172 Commercial St. Sunnyvale, CA, 94086. Appetif's 12,000 square foot facility is a combined kitchen and distribution hub and is situated in the middle of the Sunnyvale and Mountain View area, allowing Appetif to target consumers in this section of the Bay Area. As part of the Bay Area, Sunnyvale and Mountain View together have a population of approximately 230,000. Being located in such an area allows Appetif access to around \$87,820 people ages 25-44 with stable jobs and income who are able to approach Appetif as a fine dining experience that is both unique and accessible, being able to afford the high-end fine dining that Appetif offers.⁶ At the same time, it places Appetif in the center of companies and executive teams who look for these dining experiences for their own banquets and events.



Figure 1. Appetif location.

Goals

Short Term Goals (1 Year)	Long Term Goals (5 Year)
1 meal served for every working hour.	6 meals served for every working hour.
7% of consumers have used Appetif twice, and 2% have used it three times.	35% of consumers use Appetif twice a year, 25% three times, 15% 4 times.
A Temkin Experience Rating of at least 72% in the restaurant industry.*	A Temkin Experience Rating of at least 86% in the restaurant industry.*
A Temkin Customer Rating of at least 70% in the restaurant industry.**	A Temkin Customer Service Rating of at least 88% in the restaurant industry.**
550 clicks on Appetif's website daily, and around 250 views per post across social media platforms.	2,500 clicks on Appetif's website daily, and around 3,500 views per post across social media platforms.
Achieve at least a 94 on the California Retail Food Code.***	Achieve at least a 96 on the California Retail Food Code.***

Table 1. Short- and Long- term goals.

*The Temkin Experience Rating is a result of direct customer feedback surveys performed that rate businesses across three experience matrices to distinguish quality of product or service.

**The Temkin Customer Rating is a result of direct customer feedback surveys performed that rate businesses across three customer service matrices to distinguish hospitality.

***The California Retail Food Code distinguishes restaurants and retail food stores based upon health and safety codes.



Internal Operations & Management

Facilities

Renovations to Appetif's primary facility at 172 Commercial St will occur in accordance to the floor plan, with a kitchen, a food packaging and storage area, and a loading bay for vehicles. Vehicles will be parked in the parking lot located outside, with parking space included in lease. Following renovation, the facility will undergo a health inspection by the Santa Clara County Department of Environmental Health, and additionally will obtain a Mobile Food Facility (MFF) permit, a Caterer permit, and an Alcohol Beverage Control (ABC) license for novelty wine.⁷

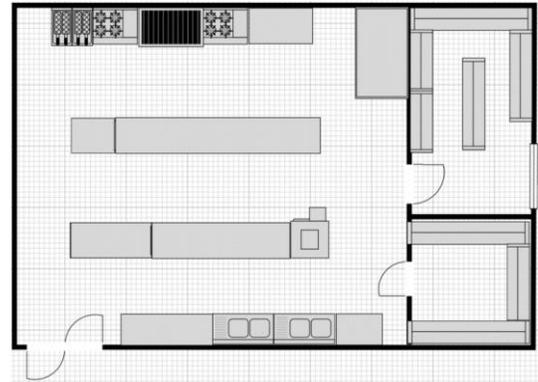


Figure 2. Warehouse and kitchen floor plan.

Kitchen

From initial supply chain data, the 6,000 square foot kitchen will be able to support a maximum staff of 12 and will support a maximum production of roughly 100 meals per hour. Initially planned hours of operation are Tuesday through Sunday, 5PM to 9PM, increasing to 12PM to 10PM in Year 5 to capture demand from dining times. Standard kitchen renovation and equipment costs are included in estimates.

Delivery

The 500 square foot loading bay will be internally connected to kitchen and storage areas and will allow up to 2 small vehicles to be loaded simultaneously, or 1 large vehicle. This will accommodate Appetif's food supplier delivery vehicles. The loading bay can be expanded as needed. Hours for delivery will initially be 7PM-11PM Tuesday through Sunday, and will increase to 11AM-12AM along with kitchen hours. The hours are designed for the chefs to start preparing food beforehand and for the Experience hosts to finish the last dinner after the kitchen staff. These hours are the peak demand time for Appetif's service.

Vehicles

Appetif will purchase two (2) Ford Transit Connects, which will serve as the primary delivery vehicles due to their small size and functionality. Vehicles will display Appetif livery, along with extras chosen to optimize delivery capabilities. Based on vehicle size, drivers (experience hosts) will not be required to

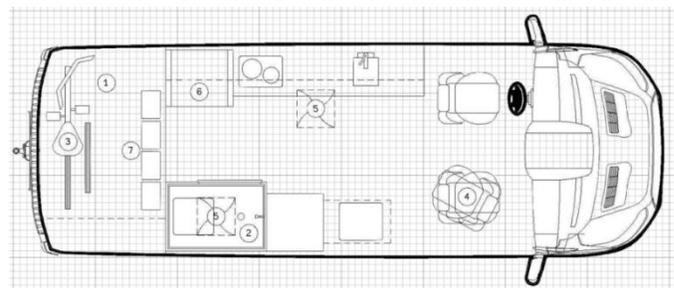


Figure 3. Vehicle plan.

obtain a Commercial Driver's License under California law.⁸

Expansion

More vehicles will be purchased as Appetif's customer base increases. Based on operational costs and capabilities, there will be an estimated one additional vehicle per 20 more active customers a day, an additional line cook per 500 more active customers, and an additional experience host per 1,000 more active customers. Larger vehicles with greater capacities may also be purchased in the future. In the long term, as

Appetif expands to new locations, new facilities will be opened, and Appetif's workforce will be increased. Additional contract work with marketing or technology specialists will be conducted as needed.

Management Personnel

The management personnel of Appetif will initially consist of owners Mark Solomonik, William Hsu, and Manasi Navalgundkar, as stated in the company governance. Appetif will also retain a board of advisors to assist the management.

Mr. Solomonik will serve as the Chief Executive Officer (CEO) and will focus on leading the management team and maintaining the company vision. He is certified in food safety by the Santa Clara County Department of Environmental Health. He will also initially act as both the Executive Chef and General Manager of Appetif, creating the menu and overseeing the day-to-day kitchen facility operations.

Ms. Navalgundkar will serve as the Chief Marketing Officer (CMO) and will primarily be responsible for the external operations of Appetif. She will focus on customer retention, brand management, and business orientation, and will also be responsible for initial sales, including advertising and promotion.

Mr. Hsu will serve as the Chief Operating Officer (COO), and will manage the internal operations of Appetif, focusing on logistics, technology, and finances. He will be responsible for accounting & financial planning, technology development & usage, and employee management. Additionally, he will oversee the day-to-day delivery logistics and operations.

The board of advisors will consist of professionals in the restaurant and delivery industries, as well as general business advisors. These experts will be able to offer their perspective in business decisions and provide unbiased advice.

Workforce

Appetif will be a company primarily focused on delivering a unique customer experience. As such, Appetif's delivery workforce will need strong interpersonal skills and will require extensive training in fine-dining waitering by the owners as well as existing employees. Appetif's kitchen workforce will be operated similar to a standard restaurant kitchen.

Contract Work

Appetif will seasonally contract one (1) wine connoisseur per menu rotation for food-wine pairings. One-time contract work minimizes costs and allows Appetif to create a database of pairings and tastes by opening, while contracting a well-known wine connoisseur will create a reputation of high-end dining and gourmet food for Appetif.⁹

Kitchen Employees

Appetif will recruit and train one (1) part-time line chef and one (1) part-time dessert chef, who will comprise the kitchen staff. Kitchen staff will be responsible for the production and presentation of all meals and must have significant prior experience. They will also assist Mark Solomonik in the creation and modification of the menu.

Experience hosts (Delivery Employees)

Appetif will recruit and train two (2) part-time "experience hosts" to not only deliver the ordered food to the customer, but also to complete the Appetif fine dining experience. Appetif will be seeking college students as well as career-waiters and older employees with previous experience in the luxury food industry. The hosts will follow Appetif's simple 4-step process, consisting of delivery, set-up, atmosphere, and



presentation, as explained below. The experience hosts will ensure not only smooth delivery of the meal, but will also meet specific customer requests. As experience hosts are the sole human point of contact between the Appetif brand and consumers, the extensive training and rigorous screening of experience hosts is imperative.

1. Delivery	2. Set-up	3. Atmosphere	4. Presentation
The experience host delivers the ordered meals and drinks to the chosen location through the delivery vehicle.	Then, the host sets-up the consumer's table with each individual entrée in preparation for the meal.	Next, the experience hosts help further the atmosphere as necessary by dimming the lights, adding candles, and adjusting any décor.	Finally, the experience host gives a description and presentation of each individual entrée, similar to restaurant procedure carried out by wait staff.

Table 2. Delivery process.

External Operations

Target Market

Primary Target Market

Appetif's primary target market will be college graduates between ages 25 and 44. College graduates are 66% more likely to have a consistent stream of income¹⁰ to spend on luxury goods and services such as fine-dining. In the Sunnyvale-Mountain View area, the average income is between \$98,475 and \$99,808 annually,¹¹ with millennials spending around 23.8% of their income on restaurants, resulting in an average annual restaurant expenditure of around \$23,596. Appetif will provide an alternative to traditional restaurant dinners for its target market, with a prevalent demand for restaurant dining in the Bay Area already in place.¹² Individuals between ages 25 and 44 will be attracted to Appetif due to its approachability and uniqueness as a mode of fine-dining recreation, as millennials are spending more money than previous generations on fine-dining.¹³ Appetif also provides an experience difficult to recreate by both restaurants and home-dinners due to its breakage of traditional dining norms. Appetif's expansive menu also provides a variety of options to accommodate a large variety of tastes, along with those with dietary needs.

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Available Market	\$87,820	\$88,698	\$89,585	\$90,481	\$91,386
Penetration Rate	1.25%	3.75%	6.75%	9.50%	11.50%
Served Available Market (SAM)	1,097.75	3,326.18	6,047.00	8,595.70	10,509.37
SAM Accounted for Repeat Business	1,240.46	3,642.17	8,616.97	16,804.59	24,171.56
Average Price	\$55.00	\$55.00	\$55.00	\$55.00	\$55.00
Total Share of Market (Conservative)	\$68,225.16	\$200,319.34	\$473,933.61	\$924,252.45	\$1,329,435.57
Total Share of Market (Base)	\$73,440.00	\$214,200.00	\$524,790.00	\$1,012,095.00	\$1,516,536.00
Total Share of Market(Optimistic)	\$76,339.73	\$224,357.66	\$563,238.84	\$1,118,831.91	\$1,631,637.13

Table 3. Market share projections.



	Year 1	Year 2	Year 3	Year 4	Year 5
Total Available Market	87,820	88,698	88,698	89,585	89,585
Average Income	\$99,142.00	\$100,331.70	\$101,535.68	\$102,754.11	\$103,987.16
Percentage of Income Spent on Restaurants ¹⁴	24.00%	24.00%	24.00%	24.00%	24.00%
Annual Restaurant Expenditure	\$23,794.08	\$24,079.61	\$24,368.56	\$24,660.99	\$24,956.92
Fine Dining Expenditure ¹⁵	1.40%	1.40%	1.40%	1.40%	1.40%
Total Annual Fine-Dining Expenditure	\$29,254,345.48	\$29,901,451.60	\$30,260,269.02	\$30,929,626.17	\$31,300,781.68
Per Person Fine Dining Expenditure Conservative	\$333.12	\$337.11	\$341.16	\$345.25	\$349.40
Per Person Fine Dining Expenditure Optimistic	N/A	\$339.45	\$345.90	\$352.47	\$359.16

Table 4. Market sizing estimates.

Secondary Target Market

Appetif's secondary target market will be executive dining for business banquets and events. Silicon Valley is known as a hub for startups and corporate giants alike; as such, these businesses will need to host company dinners in order to build strong corporate relationships¹⁶. Appetif will provide luxury catering for these events, as well as fresh food delivery. Appetif will need to establish itself as a unique fine dining experience to appeal to mid-sized and large businesses in Silicon Valley that require strong employee relationships, which will be fostered through company catering and large-scale events.

Appetif will attract businesses that wish to host company dinners and banquets for similar reasons as to the primary target market: Appetif is unique, and its high-quality food and service help increase the professionalism, engagement and effectiveness of company dinners and banquets that wish to promote employee creativity and boost morale. Company events are necessary and are an important part of running a business in Silicon Valley, as they are a great way to build company culture.¹⁷

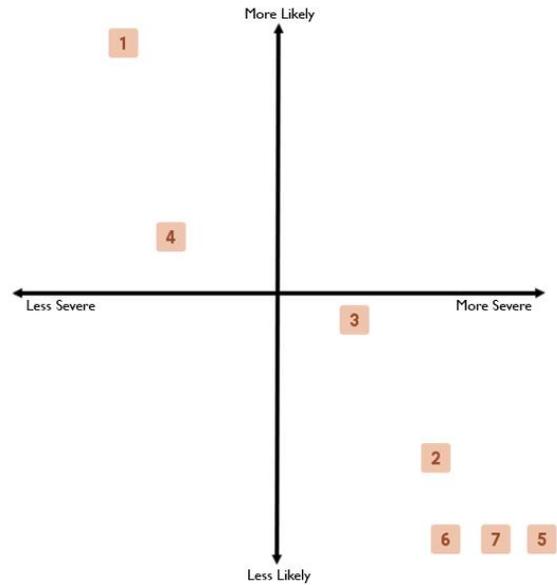


Figure 4. Risk impact/probability assessment.

Risks

Risk	Mitigation
1. Fluctuating tastes and demands	A rotating menu designed to fit the fluctuating tastes of Appetif's target market will be instituted, along with surveys in order to track and maximize consumer satisfaction.
2. Supply chain cutoff Rising food prices	A relationship with Appetif's supplier, Pacific Gourmet, will be established very early in startup in order to create a trustworthy, consistent, and reliable supply chain, and decrease long term inventory costs.
3. Wage and hour claims	Experience hosts and chefs will always be eligible for overtime pay, and management will make sure to keep accurate and detailed payroll records and pay employees on time.



	Compensatory time for overtime will also not be offered in order to follow the Fair Labor Standards Act.
4. Liquor liability	In order to avoid issues with intoxication, the Experience hosts will be trained in recognized programs such as TIPS® and the National Restaurant Education Foundation’s ServSafe Alcohol™ in order to recognize intoxicated patrons and keep the experience enjoyable for all guests.
5. Foodborne illnesses Contamination Allergies	Ingredients used in the creation of the entrees will be clearly listed on the website menu, along with vegetarian, vegan, and gluten free options. Chefs will be trained in cross-contamination prevention, as well as personal hygiene, and time and temperature control. All employees will be regularly updated with improved safety rules and procedures.
6. Kitchen hazards	Along with chef training and screening on kitchen safety, an automatic fire-suppression system will be installed and a vendor will be contracted bi-annually for maintenance as standard procedure for insurance carriers. Chefs will also be trained in the StaySafe in the Restaurant program from OSHA to avoid slips and falls. Management will also make sure to provide chefs with all necessary safety equipment and take precaution.
7. Unexpectedly low sales	In the event that Appetif experiences unexpectedly low sales in its first year of service, three things will occur: 1. Management will look at social media, surveys, employee experiences, and reviews of Appetif, and attempt to identify any issues with the menu, staff, or overall experience. 2. Management will examine the customer retention plan and marketing plan in order to identify issues with the performance and execution of external operations, including customer attraction and brand image of Appetif. 3. Based on the issues that management found in the above two steps, management will take the proper measures necessary to mitigate these problems, including developing new external operations and improving employee performance with training.

Table 5. Risks and associated mitigation strategies.

Expansion

Detailed financial projections for the future are available in the income statement and cash flow statement found in the appendixes. Estimates made are conservative and contain a margin of error, providing for unforeseen circumstances. Based on market and industry assumptions, Appetif should continue to see stable growth and will break even on initial investment by year 3. As Appetif continues to expand, additional employees will be hired as detailed in this plan. Future financing and loan options will also be reconsidered in future location expansion.

Marketing Plan

Branding

Appetif will position itself as a high end, luxury brand among its competitors in the food delivery industry. Appetif’s high prices, waitstaff-like delivery employees, wine pairings, and locally sourced meals all aim to differentiate Appetif from its more casual competition. Photography of Appetif’s food will be regularly used in the social media campaign in order to advertise and distinguish Appetif from other, lower quality food delis. Images of the entrees, chefs and experience hosts, along with press reviews will further convey Appetif as a high end fine dining service. However, in order to successfully appeal to Appetif’s primary target market, user-generated content on social media will be frequently utilized and promoted, and a strong presence of Appetif on social media will be established. Appetif will also establish itself as a service designed



for social interaction. Restaurants are designed to be a social experience, and Appetif will market itself as a way to bring that social experience into the comfort of the consumer’s home. In order to separate Appetif from brick-and-mortar restaurants, the marketing plan will focus on displaying Appetif’s aspect of delivery, as well as the unique, and customer friendly rotating menu. The marketing campaign will also show Appetif’s frequently changing menu and wine pairings in order to keep customer’s engaged. The rotating menu will also help develop a strong base of repeat customers, as they are crucial for Appetif’s success. Customer service must be excellent as well, and Appetif will make sure to keep a constant line of communication with its consumers on social media for feedback.

Advertising

Beyond traditional advertisements, Appetif’s marketing operations will draw from the in-the-moment buzz of social media and scale through word-of-mouth promotion. By utilizing company posts and peer-to-peer promotion, Appetif will create a strong brand presence, and increase customer retention. Appetif will utilize the platforms Twitter, Facebook, and Instagram, with a focus on the latter, to target its primary demographic. Instagram will encapsulate the entire customer experience; Appetif will display its high-quality service and meals through Instagram’s culture of aesthetic appeal and meal photography. The “stories” feature of Instagram is also useful, as Appetif is a service for group events and social interaction, and people will be encouraged to make posts as well as stories about their experiences with Appetif’s service. Instagram’s user demographic is also similar to Appetif’s primary target market, as 59% of its users in the US are under 40²⁴. Appetif will run similar marketing operations on Twitter, as photos and comments about the food and experience can be used to spread social media word-of-mouth. One alternative we considered was Facebook; however, it will not convey the aesthetic and quality necessary even though it is one of the most influential social media platforms. On all these platforms Appetif will market through daily posts and social media “challenge” promotional events that incentivize people to take pictures of Appetif’s food and themselves at dinner parties and post them on social media. Appetif’s group dinner-parties are also a great way to spread word of mouth when people are invited to use Appetif’s service by others. Additionally, Appetif will spread word of mouth through its catering service for company events, and will make sure that the employees of the company will see a little bit of Appetif’s brand.



Figure 5. Sample social media post.

	Brand Account Following ¹⁸	Brand Post Engagement ¹⁹	Purchase Research Likelihood ²⁰	Other
Instagram Users	53%	4.21%	44%	70% more likely to purchase product online. ²¹
Twitter Users	50%	0.03%	39%	The Average Twitter user follows 5 businesses. ²²
Facebook Users	44%	0.07%	36%	32% of users regularly engage with brands. ²³

Table 6. Social media platform comparison.

	Instagram	Twitter	Facebook
Individuals ages 18-29	59%	36%	88%
Income \$50,000-\$74,999	32%	28%	75%
Income >\$75,000	31%	30%	77%
Internet users in US	32%	24%	79%
College graduates	33%	29%	79%

Table 7. User rates, by demographic.¹⁹

Customer Retention

As a luxury brand, customer retention is extremely important for Appetif’s profitability. Promotions for first-time ordering will be used to attract initial customers, while rewards such as complementary appetizers will be periodically sent to existing customers to promote repeat business. Appetif will frequently incentivize those that host more parties, as well as parties with more people, and who frequently participate in social media promotional events. Rewards will be incidental to the service, and merely there to benefit consumer image of Appetif and further increase customer loyalty. Appetif will also offer after-dinner surveys in order to improve the customer experience and develop a more appealing menu each rotation. Appetif will also use its rotating menu and wine pairings encourage experimentation. Appetif will host promotional events involving the rotating menu to encourage consumers to seek out Appetif and be interested in trying Appetif a second time after the initial first experience. This will ensure that Appetif to reach its short- and long- term customer retention goals.

Loan

Financial Institution

Appetif will acquire a secured line of credit from Wells Fargo Bank (95 S Mathilda Ave, Sunnyvale, CA 94086). Wells Fargo Bank, especially in the Bay Area, has a history of partnership with small businesses like Appetif.²⁵ Appetif owners have reliable credit history and financial management experience, and will work with a specially assigned small business advisor at Wells Fargo bank in Sunnyvale.

Institution	APR	Amount	Repayment	Other
Wells Fargo	6.5% – 22.99%	\$5,000+	Monthly	
Bank of America	5.5% – 10%	\$25,000+	Monthly	Additional requirements
Fundera	7% – 25%	\$10,000+	Monthly or Weekly	Online

Table 6. Financial institution comparison.

Loan Request

Establishing a line of credit was found to be the best loan option for Appetif. Using a revolving account like a line of credit is advantageous to a disbursement like an SBA loan due to its flexibility, speed of operation, low interest rates, and other long-term financial benefits.

With a line of credit, Appetif can tailor its spending to its own financial needs, borrowing as needed and only paying interest on what it actually spent. Additionally, as Appetif’s owners have reliable credit history and the line of credit will be secured against equipment and vehicles, interest rates will be relatively low. A line of credit will allow Appetif the necessary flexibility to take advantage of borrowing and minimize credit utilization as required.



Another benefit of using a line of credit over an SBA loan is speed, as the latter requires excessive processing time and paperwork, delaying other vital business processes. Initial startup costs will be covered by founders' investments, negating the necessity of one-time disbursements like SBA loans.

In the earlier years of Appetif's development and growth, demand may be unpredictable and lacking pattern. A line of credit will allow Appetif to develop new revenue streams quickly, and rapidly adapt to the changing food delivery environment. It also allows Appetif to manage short-term repayment more efficiently, by keeping most equity in the business instead of in debt.²⁶

Amount

Appetif will file and be approved for a \$500,000 line of credit at 7.2% interest rate, with around 2% variation based on interest rates at startup. Credit utilization will be around 62% the three years based on variable demand and expenses, falling to <5% in subsequent years. Utilization and fluctuations will likely be high the first year, as being able to cover sudden emergency expenses such as emergency kitchen equipment repair or utility failures will be helpful. Later, the line of credit will mostly be used for unexpected expenses or as temporary capital in seasonal lulls.

Expenditures

After renovation, licenses, permits, and other miscellaneous startup costs, initial expenditures are projected to average \$37,694.03 per month, broken down into major categories below. Detailed financial expenditure information is available in the income statement in the appendix.

Item	Cost	Description
Warehouse	\$ 54,000.00	Down payment
Equipment	\$ 330,600.00	Renovation and equipment primarily for kitchen
Vehicles	\$ 24,000.00	Vehicles as stated
Other	\$ 1,400.00	Permits, licenses, etc.
Total	\$ 410,000.00	

Table 7. Startup costs.

Item	Cost	Description
Cost of Goods	\$ 3,304.8	Food costs paid to suppliers
Payroll	\$ 27,711.67	3 Co-founders, 1 Line chef, 1 Dessert chef, 2 "Experience hosts"
Location Operation	\$ 2,952.50	Includes lease, insurance, utilities, and maintenance
Marketing	\$ 3,541.66	Advertising promotions, customer retention promotions, business partnerships, and other brand development activities
Other	\$ 116.70	Allowances, legal fees, and any other miscellaneous items
Tax	\$ 66.70	Income tax and various taxes & fees paid to local, state and federal entities.
Total	\$ 37,694.03	

Table 8. Expenditures, by category.

Future Projections

Detailed financial projections for the future are available in the income statement and cash flow statement found in the appendixes. Estimates made are conservative and contain a 10% margin of error, providing for unforeseen circumstances.



Based on market and industry assumptions, Appetif should continue to see stable growth and will break even on initial investment by year 4. As Appetif continues to expand, additional employees will be hired as detailed in this plan. Future financing and loan options will also be reconsidered in future expansion.

Exit Strategy

It is the owners' intention to run this business until retirement or sale. In the event that only one owner wants to exit, the partnership agreement allows for the remaining owners to buy out said exiting owner's equity at initial investment. A larger food delivery franchise like Munchery may look to the Appetif brand, customer base, and reputation to expand into new food industry sectors in a merger or acquisition.

The owners are aware that it usually takes new businesses three years to start turning a profit and that the business could operate at a loss during that time, and will keep this in mind when making adjustments to keep the business running with a positive cash flow. The acceptable loss per year will be 50%; if the business exceeds this amount, the process of closing the business and paying back debt will begin. All equipment and merchandise will be liquidated and remaining debt paid off.

Appendix

Income Statement

Period Ending	2018	2019	2020	2021	2022
Income					
Sales	\$ 73,440.00	\$ 214,200.00	\$ 524,790.00	\$ 1,012,095.00	\$ 1,516,536.00
Cost of Sales	\$ 39,657.60	\$ 86,751.00	\$ 161,935.20	\$ 260,253.00	\$ 416,404.80
Gross Margin	54.00%	40.50%	30.86%	25.71%	27.46%
Gross Profit	\$ 33,782.40	\$ 127,449.00	\$ 362,854.80	\$ 751,842.00	\$ 1,100,131.20
Expenses					
Payroll	\$ 327,500.00	\$ 343,875.00	\$ 378,262.50	\$ 435,001.88	\$ 522,002.25
Marketing	\$ 42,500.00	\$ 34,000.00	\$ 40,800.00	\$ 48,960.00	\$ 58,752.00
Equipment & Renovation	\$ 33,060.00	\$ 34,713.00	\$ 36,448.65	\$ 38,271.08	\$ 40,184.64
Lease	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00
Utilities	\$ 5,430.00	\$ 5,973.00	\$ 6,570.30	\$ 7,227.33	\$ 7,950.06
Insurance	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00
Depreciation	\$ 31,407.00	\$ 32,977.35	\$ 34,626.22	\$ 36,357.53	\$ 38,175.40
Other	\$ 1,400.00	\$ 1,120.00	\$ 1,680.00	\$ 1,512.00	\$ 1,400.00
Total Expenses	\$ 471,297.00	\$ 482,658.35	\$ 528,387.67	\$ 597,329.82	\$ 698,464.35
Profit Before Taxes	\$ (437,514.60)	\$ (355,209.35)	\$ (165,532.87)	\$ 154,512.18	\$ 401,666.85
Taxes/Fees Incurred	\$ 800.00	\$ 800.00	\$ 900.00	\$ 2,500.00	\$ 6,000.00
Net Profit	\$ (438,314.60)	\$ (356,009.35)	\$ (166,432.87)	\$ 152,012.18	\$ 395,666.85



Cash Flow Statement

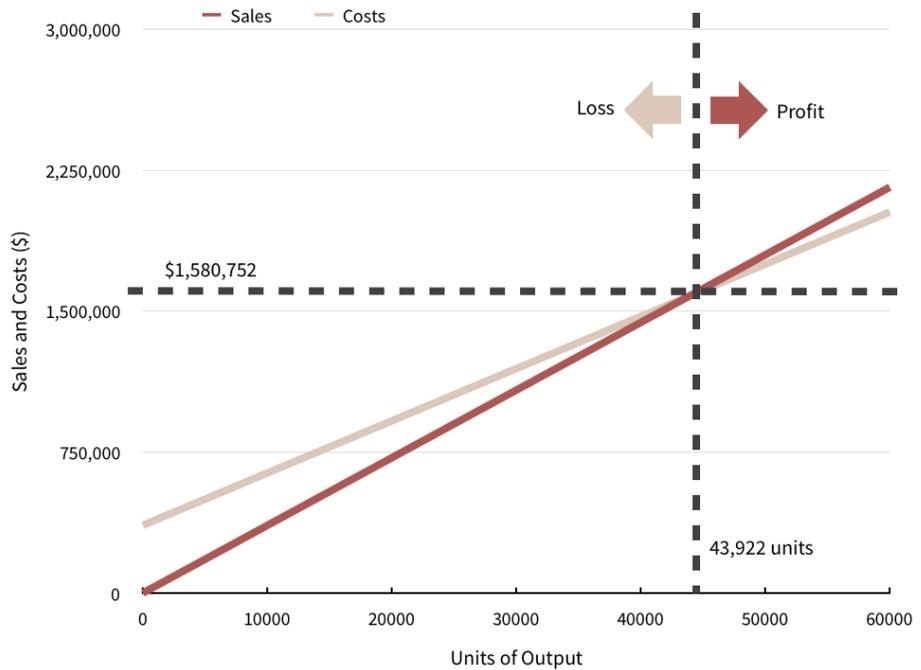
Period Ending	2018	2019	2020	2021	2022
Cash flow from operating activities					
Net income	\$ (438,314.60)	\$ (356,009.35)	\$ (166,432.87)	\$ 152,012.18	\$ 395,666.85
Adjustments	\$ 31,407.00	\$ 32,977.35	\$ 34,626.22	\$ 36,357.53	\$ 38,175.40
Net cash flow from operating activities	\$ (406,907.60)	\$ (323,032.00)	\$ (131,806.65)	\$ 188,369.71	\$ 433,842.25
Cash flow from investing activities					
Property & Equipment	\$ (297,540.00)	\$ (34,713.00)	\$ (36,448.65)	\$ (38,271.08)	\$ (40,184.64)
Net cash flow from investing activities	\$ (297,540.00)	\$ (34,713.00)	\$ (36,448.65)	\$ (38,271.08)	\$ (40,184.64)
Cash flow from financing activities					
Proceeds from line of credit	\$ 282,000.00	\$ 408,000.00	\$ 230,000.00	\$ -	\$ -
Payments on line of credit	\$ (19,740.00)	\$ (48,300.00)	\$ (64,400.00)	\$ (154,400.00)	\$ (394,400.00)
Net cash flow from financing activities	\$ 262,260.00	\$ 359,700.00	\$ 165,600.00	\$ (154,400.00)	\$ (394,400.00)
Net increase (decrease) in cash held	\$ (442,187.60)	\$ 1,955.00	\$ (2,655.30)	\$ (4,301.37)	\$ (742.39)
Cash at beginning of period	\$ 450,000.00	\$ 7,812.40	\$ 9,767.40	\$ 7,112.10	\$ 2,810.73
Cash at end of period	\$ 7,812.40	\$ 9,767.40	\$ 7,112.10	\$ 2,810.73	\$ 2,068.34

Balance Sheet

Period Ending	2018	2019	2020	2021	2022
Assets					
Cash	\$ 7,812.40	\$ 9,767.40	\$ 7,112.10	\$ 2,810.73	\$ 2,068.34
Inventory	\$ 73,440.00	\$ 180,540.00	\$ 255,510.00	\$ 207,315.00	\$ 233,019.00
Insurance	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00
Equipment	\$ 330,600.00	\$ 365,313.00	\$ 401,761.65	\$ 440,032.73	\$ 480,217.37
Less accum. depreciation	\$ (31,407.00)	\$ (64,384.35)	\$ (99,010.57)	\$ (135,368.10)	\$ (173,543.50)
Total Assets	\$ 392,445.40	\$ 503,236.05	\$ 577,373.18	\$ 526,790.37	\$ 553,761.21
Liabilities					
Line of credit	\$ 279,180.00	\$ 683,100.00	\$ 910,800.00	\$ 820,800.00	\$ 490,800.00
Total Liabilities	\$ 279,180.00	\$ 683,100.00	\$ 910,800.00	\$ 820,800.00	\$ 490,800.00
Owner's Equity	\$ 113,265.40	\$ (179,863.95)	\$ (333,426.82)	\$ (294,009.63)	\$ 62,961.21



Break Even Analysis



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