



# BITE FRESH

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Business Financial Plan

Bite Fresh

Illinois 2017-2018

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**BITE FRESH**

## **Description of Business**

### **Business Concept**

*Bite Fresh* is primarily a food delivery corporation that provides our customers with fresh, organic, and ethnically diverse meals for breakfast, lunch, and dinner and also acts secondarily as a premium international grocery store. We wish to appeal to the high socioeconomic California residents within the community who have a taste for ethnic foods. This business is located in San Bernardino, California and is a 7,500 square foot, state-of-the-art facility. The facility houses a world class kitchen, grocery store, and a garage with food trucks. In addition, *Bite Fresh* will also establish itself in the community by partnering up with local food pantries, allowing the business to receive tax exemption from the California government. Such community efforts will also benefit us in the long run by qualifying us for the California sales tax reduction certificate, which awards companies that return services to their community through a tax cut. In all, *Bite Fresh* will operate as a C corporation managed by Kai Mayahara, Michael Lee, and Satvik Yagnamurthy. *Bite Fresh* is scheduled to open during the summer of 2018.

### **Financial Plan**

*Bite Fresh* plans to obtain a home equity line of credit and a construction to payment loan from the California Bank and Trust to finance the business. The initial goal of *Bite Fresh* is to maximize the customer base in order for the business to grow while giving back to the community. In our first month, *Bite Fresh* estimates to sell 3,720 meals through heavy advertising of our ethnic meals. In addition, with an estimated additional \$9,920 in revenue from the international grocery store, *Bite Fresh* will make \$54,560 in total for the first month. Although there will be losses incurred in the first year, this is expected, and we expect to pay off our construction to permanent loan in approximately five years, and the home equity line of credit payment in ten years. These initial start up costs will pay off in the future, as *Bite Fresh* is expected to make \$667,089.00 in month 60 of the business, demonstrating an incredible profit of \$391,901.67. Overall, by creating a strong foundation within the community, *Bite Fresh* will be to establish itself as the frontrunner in ethnic food delivery companies, creating franchises in other locations such as New York and Chicago.

### **Strategies to Obtain Loans**

The primary success of *Bite Fresh* is dependant on a capital injection. *Bite Fresh* is requesting a home equity line of credit payment with a limit of \$688,910 at a 5.5% interest rate over the next ten years, giving us flexibility in the volatile amount we need to spend on food supplies. Moreover, we will be requesting a construction-to-permanent loan of \$250,669 with a 20% down payment and a 7.75% interest rate that will be paid over the next five years. Both of these loans will be taken from the California Bank and Trust. The home equity of credit secured will be used to fund startup items, advertising, food inventory, and salaries. In addition the construction-to-permanent loan will be used to design our kitchen and grocery store. While the payment will be high, use of this loan will lead *Bite Fresh* to success as by month 12 *Bite Fresh* will be able to cover expenses and generate profits. The annual \$90,000 cost of leasing the building will initially be paid during the first 6 months of construction before any revenue is generated, however, *Bite Fresh* will be able to cover monthly lease costs once operation starts.



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## BITE FRESH

### 1.0 Company Description

#### 1.1 Legal Form of Business

*Bite Fresh* will operate as a C corporation. A C corporation has unlimited growth potential and would allow *Bite Fresh* to accumulate capital at low tax rates for funding accounts receivable, inventory, and fixed assets if the taxable income doesn't exceed \$75,000. (*Starkman, Advantages of a C Corporation, <https://www.thetaxadviser.com/issues/2007/oct/advantagesofacorporation.html>*) Although double taxation is a disadvantage, we can avoid double taxation by reducing our net income by using all deductions allowed by the IRS and paying higher salaries to employees. Moreover, under the California Government Tax reduction policy, our revenue tax will be reduced because we'll be donating leftover food to low income families through a partnership with the Helping Hands Pantry. (*Armour, "Startups after 50-Realistic Goals for Revenue", [www.startupsafter50.com](http://www.startupsafter50.com)*) In the event of bankruptcy, our personal assets cannot be seized as they fall under a different legal entity. We have filed the Articles of Incorporation as well as the Corporate Bylaws document with the California Secretary of State, and paid the filing fee of \$100. We are licensed by the State of California. (*Access, Top 10 Business Financial Planning, [www.content.accesscommercialfinance.com](http://www.content.accesscommercialfinance.com)*)

#### 1.2 Mission Statement

*Bite Fresh* will provide customers with convenient access to healthy, culturally diverse meals and ingredients through an efficient, technologically-advanced food delivery system. We will support parts of the community that entirely lack access to healthy food items by donating leftover food items. *Bite Fresh* is committed to delivering and selling the highest quality foods that are non-GMOs, fresh, healthy, and affordable.

#### 1.3 Company Governance

*Bite Fresh* is committed to a strong company governance; we prioritize supplying the most delicious meals while promoting social activism. *Bite Fresh's* company structure complements our mission, preparing all meals made to order and providing leftover ingredients to nearby pantry homes. To eradicate hunger in San Bernardino, we will partner with Help Hands Pantry, a food pantry that serves 7,000 people in one of the most poverty-stricken cities in America. (*Serving the Community of San Bernardino, <https://helpinghandspantry.org>*) Executive decisions are based on majority amongst the company owners to ensure cohesiveness. A signed a code of conduct states that each individual owns 33.3% equity in the business.

#### 1.4 Company Location

*Bite Fresh* will be located at 320 N E St, San Bernardino, California and in close proximity to families of high socioeconomic families in South Los Angeles. Such a location will be instrumental in providing for a large amount of customers interest early in our facilities development and in aiding our effort to alleviate unhealthy eating in urban areas that struggle to find grocers and fresh food. (*Statistical Atlas, San Bernardino County, California, [statisticalatlas.com/](http://statisticalatlas.com/)*) San Bernardino will also give access to various



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food pantries in the area, as our leftover food will be much appreciated in order to alleviate hunger issues in the area as well.

### 1.5 Goals

#### 1.5.1 Short Term Goals

Month 1: We hope to obtain a construction-to-permanent loan of \$250,669 dollars at an 7.75% interest rate and a home equity line of credit payment of \$688,910 with a 5.5% interest rate from the California Bank and Trust. (*Ponder, Personal Loan vs Line of Credit, www.bankrate.com/finance/loans*) Once having secured the loan funds, construction of a high-quality kitchen, a larger parking lot and installation of basic utilities will commence. Necessary licensing and zoning permits will have already been acquired or applied for with the State of California and the City of San Bernardino. In addition, we will have begun collecting data from focus groups to determine our menu and prices.

Month 5: Construction of the kitchen as well as the basic utilities will be complete. This includes additional grocery store accessories, such as a freeze section and components of the fresh food area. (*Jones, "Kitchen, Laundry Appliances & Accessories", www.frigidaire.com/home*) Our director of advertising and marketing, Michael Lee, will begin a social media advertising campaign utilizing coupons and discounts as incentives. In addition, we will be offering special discounts for volunteers at food pantries and etc., in order to focus on community support. (*Mosisa, "Foreign-born Workers Represented 16.1 Percent of the U.S. Labor Force in 2012.", www.bls.gov*) Additional outreach and advertising will be done through samples given out at various malls and our blog. Preliminary interviews with prospective chefs and other workers will begin. In addition, a supply chain network with wholesale food providers as well as delivery system will be established. We plan on enhancing our grocery store by stocking it with international items.

Month 7: *Bite Fresh* will begin to operate at month 7, as revenue and costs will be documented in our income statement. Interviews, vetting, and training for employees would be finished, and a full staff will have been hired. *Bite Fresh* will initially utilize a high portion of the home equity line of credit towards traditional marketing, in order to maximize turnout for the first month and attract repeat customers. As of now, all our orders will be done through our companies food delivery hotline, but we plan on improving our sales tactic through the usage of a mobile app we will develop. Lastly, we hope to initiate our donation process by donating leftover consumer produce to the Helping Hands Pantry.

Month 9: After our company has settled in the area and created a strong local consumer base, we hope to acquire customers through advertisements. The state of California has an incredibly diverse population; therefore, *Bite Fresh* will incorporate cultural marketing, a method that promotes the company through an alignment with the cultures and values of our target market. Considering the most recent events surrounding race, *Bite Fresh* will brand itself as a company who accepts diversity and will initiate a campaign named "To Diversify Is To Bite Fresh." Every



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week our delivery service will provide a specific plethora of food items from a different nation. Not only would this campaign market our diverse menu and skill in providing consumers with internationally unique meals, but it would also spread diversity throughout the community. The campaign would also open up the idea of cross-cultural marketing in which we combine different nations to formulate joint food delicacies. (Cheung, "The Future of Cultural Marketing", <http://www.marketingjournal.org/black-panther-the-future-of-cultural-marketing/>)

### 1.5.2 Long Term Goals

Our long term goals are to establish a solid reputation nationally as a company dedicated to providing healthy, ethnically diverse foods and as a company committed to alleviating the grave problem of unhealthy consumption. We envision *Bite Fresh* as a hub for ethnic ingredients that brings together a plethora of cultures in San Bernardino, LA, and eventually in Chicago, NY, Orlando and Seattle. We chose these regions because of the similarities in target markets. For example, in Chicago, we can serve both busy, affluent families and businesses in northern Chicago and residents in poverty stricken areas of southern Chicago devoid of affordable, healthy food options. (Moser, *Chicago's Poor Neighborhoods: Everything Deserts*, [chicagomag.com](http://chicagomag.com)) We hope these areas will improve our gross revenue and overall expand the ability of our company to help support the community. Moreover, to strengthen the bonds within our charitable community and to inspire change that eradicates hunger, we will initiate a pay-it-forward program after one year. Although Bite Fresh will donate to the food pantry, we can only do so much, and our ultimate goal is to motivate our fellow residents in the community to take up these practices as well, and help develop a community that not only cares for the individual, but for the many.

Additionally, as our company grows in popularity and becomes a main food source for families in San Bernardino, we plan to extend our services to college students and companies. By offering discounts to students, our target market will increase exponentially as we can access a whole new age group to target. Although a risk in expanding our target market would include an inability to effectively market to all different groups, we will initiate direct marketing techniques, including personalized emails, texts, and fliers, to retain customers and establish a familial environment.

## **2.0 Operations and Management**

### 2.1 Business Facilities Described

*Bite Fresh* will be based in a building leased for 7,500 square feet. The cost of leasing this space every year amounts to \$90,000 (Fit Small Business, "How to lease commercial real estate: The ultimate guide", <https://fitsmallbusiness.com/commercial-real-estate>). The building will be two stories consisting of a high-quality international grocery store, offering an array of culturally diverse ingredients. On the second floor will be our high tech kitchen, making our delivery meals. (LoopNet, "San Bernardino, CA Commercial Real Estate For Lease." <http://www.loopnet.com/for-lease/san-bernardino-ca>)

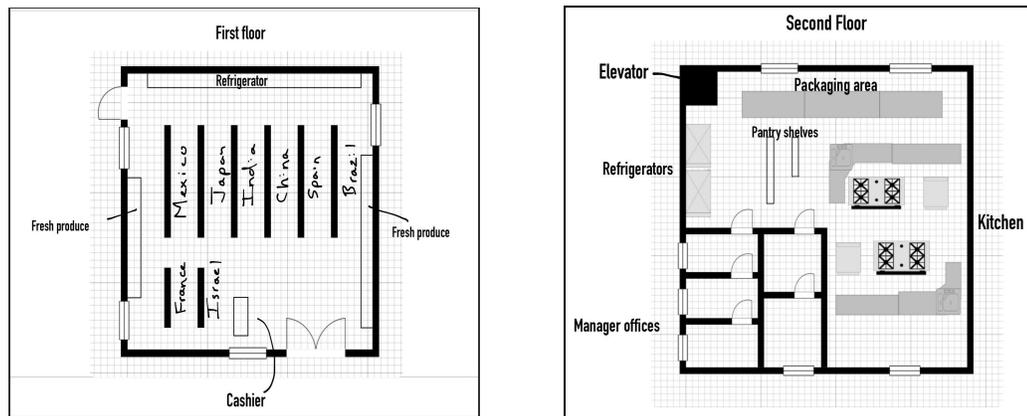
The delivery service will be active from 9:00 AM to 7:00 PM, while the grocery store business will run from 9:00 AM to 5:00 PM for the grocery store. (CoStar Group Inc, "LoopNet", [www.loopnet.com](http://www.loopnet.com)) In addition, the hours are in effect throughout the entirety of the week including weekends, as well as

throughout the year with the exception of holidays. We will also prepare meals immediately after the order to ensure freshness.

### 2.1.1 Construction/Renovation for Buildings

The Grocery store will be allotted 3,250 square feet in area. Our customers will be able to easily find their ingredients with banners of the ingredients origin. Customers will also be able to self check out for smooth transactions. The second story will have a 3,250 square foot kitchen equipped with various accessories such as a freezer, grill, and office space for both our management and executive sectors.

The kitchen will have an inventory room in the back, as well as quick access to the delivery area for a fast delivery. Prepared meals will be boxed into four categories: Latino, Europe, Asia, and American food. The floor layout is presented below. (*SmartDraw, "Flowchart Maker", www.smartdraw.com/*)



### 2.1.2 Vehicles

We will utilize five used trucks, all 2013 NV200 Nissan Full Size Vans, to deliver our organic meals. Each of the vans is \$10,000 and will be equipped with multiple refrigerators and freezers attached to the walls of the back of the van to keep food fresh during transit (*"The Official Lineup of Nissan Vans", www.nissanusa.com/vans-minivans*). Bite Fresh will pay for the vehicle costs out of the executive officers pockets.

### 2.1.3 Equipment

The grocery store will be equipped with carts to allow for convenience. The aisle will contain shelves that can be broken down by different ethnicities and will be indicated with flags for navigation. The kitchen will be equipped with state of the art utensils and appliances to make the best tasting food possible. (Projects at Oz, "Average Cost of Restaurant Renovation", <http://www.projectsatoz.com/info-library/restaurant-remodeling-info-library/average-cost-of-restaurant-remodeling.html>) There will be modular cooktops, high efficiency refrigerators, restaurant



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style cooktops, and functional ventilation. In addition to this, the equipment for the offices will consist of computers, desks, and other miscellaneous items that our employees may request.

### 2.1.4 Food Inventory

The grocery store will be stocked with ingredients from around the world, such as indian spices, and chinese herbs to provide as much access as possible to high quality and culturally diverse ingredients. (*Pace, "The cost of starting up a restaurant", www.inc.com-business/start-up-costs*) We will also have ingredients for our delivery meals. The kitchen will also have a room filled with fresh ingredients for our chefs to use in order to create all of the meals. If *Bite Fresh* has leftovers, they will be donated to the food pantries, specifically the Helping Hands Pantry, at the end of the week and can also be sold as a prepared meal at the grocery store. In addition, we will also keep all inventory noted through inventory management systems such as Synergysuite to maintain efficiency. (*Inventory Management Software, https://www.synergysuite.com*)

## 2.2 Delivery Locations

### 2.2.1 Current Locations

The location we chose was the city of San Bernardino, California. This location of this area near Los Angeles brings access to many different ranges of target markets such as high and low income families (*Census Profile: San Bernardino, CA, censusreporter.org/profiles/*). Also, the cultural diversity in this city is suitable to our mission statement as we hope to sell our ethnically explorative food options. The city is also the hub of modern progressivism that is always seeking to broaden their global view. San Bernardino of the greater Los Angeles area is comprised of a 62 mile area and we hope to capitalize on the entire location.

## 2.3 Management Personnel Identified

All three owners of the business will act as co-managers in its administration, each serving different roles in the business:

**Satvik Yagnamurthy**, a Business Administration major, will act as the facility manager for the company *Bite Fresh*. Satvik will oversee the food development for the menu and the supply chain as he manages the entirety of the operations of the facility. Satvik will also assist in customer service and conduct interviews for hiring our employees.

**Michael Lee**, an Accounting major will serve as the chief accountant for the company. Michael will manage finances and produce financial statements such as balance sheets, income statements, and general journals to prove revenue and, eventually, profit. Michael will work with our affiliated bank to deposit net profit. Michael has had previous experience in a food delivery restaurant before, and looks to learn from his previous mistakes and succeed with *Bite Fresh*.

**Kai Mayahara**, an Entrepreneurship major, is in charge of the advertising and marketing department for our company and actively seeks ways to spread our name throughout San Bernardino of the greater Los



Angeles area. Kai graduated with a Bachelor’s Degree in Entrepreneurship and Marketing from Georgetown University. Kai will be running our various social media accounts and will also be reaching out to television stations, radio broadcasters, and billboard owners to further increase advertising.

2.4. Workforce Described

	Kitchen Team	Delivery Team	Grocery Team	Management Team
Drivers	0	7	0	0
Chefs	5	0	0	0
Assistant Chefs	3	0	0	0
Managers	1	1	1	1
Cashiers	0	0	8	0
Cleaners	0	0	3	0

2.4.1. Current

Upon being hired, each of our employees will enter a training program for their first month on the job; they’ll be taught by their manager and senior staff on how to appropriately execute their task. Initially, we will have employees working on shifts, providing them with adequate breaks and work. *Bite Fresh* came to this number through a marginal labor cost analysis, and realized the total marginal benefit was highest with 23 employees. With 7 drivers, *Bite Fresh* will be able to cover the local San Bernardino area we serve throughout the day. In addition, *Bite Fresh* will hire 5 chefs and 3 assistant chefs who are needed to prepare food quickly on the spot. The company is paying the assistant chefs and drivers \$14 an hour and the chefs will receive \$20 per hour. Having 3 cashiers leaves us with just enough employees for both the cash register and customer service when needed. The cashiers will be paid \$12 an hour. Also, 4 cleaners will be in charge of cleaning both the kitchen and grocery store and the cleaners will be paid the minimum wage of \$11 per hour. Finally we have 4 managers hired, with each manager in charge of a separate sector who will get paid \$25 per hour. As the demand of our business grows, we hope to increase our staff and continue to provide them with suitable wages. The salaries were allocated based off of the labor hierarchy.

2.4.2. Projected

Every year, the company will assess the skills of each employee and if needed take actions to enhance the productivity of our staff members. In the future, we hope to increase staff count to more than 50 employees while maintaining efficiency. Finally, the managerial team will request the corporate level members to provide employees who displayed outstanding levels of commitment and work ethic with bonuses. In addition to this, we will also allow our staff members to have stock options to compensate for their initially low pay. *Bite Fresh* may potentially file an initial public offering and with this in mind, as many of our employees can benefit from being able to sell those options. This will help incentivize workers while also keeping employee retention, effectively minimizing the costs to gain more employees.



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### 2.4.3 Hours of Operation

*Bite Fresh* will have five pairs of drivers that will rotate work from 9 A.M. to 7 P.M. each day of the week with two off days, only which one can be on the weekend. (Doyle, “What is the average hours per week worked in the US?”, [www.thebalance.com](http://www.thebalance.com)) One driver will work for the first 5 hours and then the second will work for the remaining amount of time. Hours are determined to minimize labor costs and maximize utility. While the driver is not on the road, they will package the prepared meals. Both the chefs and assistant chefs will work in the kitchen whenever there is a food order from 9 A.M. to 5 P.M. The managers will be working in their offices from 9 A.M. to 5 P.M. on weekdays but not on weekends. The cashiers of the grocery store will be working between 9 A.M. and 7 P.M everyday with time for lunch and breaks. Finally, the cleaners will come only every day and work from 7 P.M. to 8 P.M.. The schedules can be adjusted through discussions with their team managers.

## **3.0 Target Market**

### 3.1. Target Market Defined

In determining our target market, we have extensively researched various demographics within San Bernardino for our international cuisine. Based off of research, *Bite Fresh* is targeting families with parents the ages of 25-45, most of who have high paying jobs in the LA district. These parents will find most amount of satisfaction in our food delivery services as they face busy schedules which prevent them from making quality meals for themselves or kids at home. In addition, the wide variety of ingredients offered in our grocery store appeals to demographically diverse population within San Bernardino, and *Bite Fresh* can invoke nostalgia with our meals.

#### 3.1.1 Size

In 2010, 43% of San Bernardino’s population of 216,239 people, 107,500 people, were a part of the age group which our business will target as potential customers. This population translates to about 59,283 families; in addition, 68% of San Bernardino’s population were also part of the ethnic groups which *Bite Fresh* targeted. The targeted ethnicities include: Hispanic or Latino, Asian, Pacific Islander, and Caucasian as well. Current market patterns suggest that there is a growing popularity for ethnics foods within this area when eating at home or out, as the National Research Association’s survey showed that 80% of people will eat ethnic foods once a month, but many are much more frequent eaters (Reporter, “Census Profile: San Bernardino, CA.”, [censusreporter.org/profiles/](http://censusreporter.org/profiles/)). Overall, data and current trends conclude that *Bite Fresh* can expect to capture over 23% of the target market in the first year, with an annual growth of about 5% every year as *Bite Fresh* becomes more integrated into the community.



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### 3.1.2 Growth Potential

Due to the growth in the tech industry emanating from the nearby Hollywood and entertainment industry, there has been an increasing desire to work at these high-paying jobs, attracting more and more people from overseas who have a taste for their homeland food. In addition, with a heavy investment towards advertisement, we will obtain approximately 14% of our target market in the first six months. We will continue to experience an 11% growth in customers of our target market over the next 6 months to add up to the 23% of our target market that we anticipate to capture in our first year. In the long run, there will be an increase in customers but the rate of increase will decrease as we gradually decrease advertisement and capture a majority of our target market. Sustained growth in the largest portion of our targeted ethnically diverse group guarantees our business a healthy flow of customers allowing us to grow alongside the community and provide consistent returns. This can be supported by the U.S Bureau of Labor Statistics which shows that the amount of foreign-born workers has been steadily increasing since 1996. (*Mosisa, "Foreign-born Workers Represented 16.1 Percent of the U.S. Labor Force in 2012."*, <https://www.bls.gov/spotlight/2013/foreign-born>). The close proximity to wealthy neighborhoods and large businesses comes with suburban sprawl, as well as allowing our business to tap into the large and wealthy markets of the surrounding communities, providing room for future expansion.

Our company also has immense potential to reach out to local college students. Students are often too busy with their school work to find healthy food options that they actually like outside of dorm cafeterias will see *Bite Fresh* as a perfect option. As proven by a study done according to NBC Business News in 2013, teenagers and young adults' preferences are a great determinant of what social trends will be comprised of. (*NBC, "Urban Areas Struggle to Get Grocers, Fresh Food"*, [http://www.nbcnews.com/health-diet\\_and\\_nutrition](http://www.nbcnews.com/health-diet_and_nutrition)) Therefore, by appealing to these age groups, our company will quickly grow in popularity and be a main food source for all members of the San Bernardino community. College students are also adventurous, making them more likely to try and explore all the ethnically diverse types of food we offer.

### 3.1.3 Need

San Bernardino and much of the surrounding south Los Angeles area contain neighborhoods that have very few fresh food grocery stores in the area, causing "food deserts" full of junk food to exist. This allows *Bite Fresh's* fresh and ethnically diverse foods very desirable and needed by our primary customer bases in LA, since it provides a healthier and tastier alternative to junk food. In addition, many foreign born individuals are used to having access to fresh foods, making our grocery ingredients appealing as well. Finally, with 1,339 fast food restaurants around the area of San Bernardino, *Bite Fresh* can offer customers a much needed change of taste, by providing foods that aren't sodium rich and high fat content ("Suburb Stats, Current San Bernardino Demographics and Stats," [suburbanstats.org/people-live-in-san-bernardino](http://suburbanstats.org/people-live-in-san-bernardino)).



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### 3.2 Risks and Potential Adverse Results

#### 3.2.1 Identify

During our initial years of growth, potential risks and adverse results include price adjustments for *Bite Fresh*. Some other risks other than the price are authenticity and competition from specialty ethnic restaurants. These risks and adverse results can potentially lose customers for *Bite Fresh*, and ultimately result in a loss of potential revenue. However, *Bite Fresh* has specific plans to combat each risk and sensitivity, allow *Bite Fresh* to maximize the number of customers it can sell too.

#### 3.2.2 Analyze & Plan

Firstly, we believe that our price adjustment is one sensitivity that we may potentially have. While our ability to offer fresh and ethnically diverse foods are unparalleled, in order to maintain the quality the price of the meals and ingredients will be on the high end. This may sway customers to not purchase our meals due to the high price, and may consider buying a cheaper alternative instead. However we believe that the high quality and uniqueness will be able to win over customers, and In order to maintain demand while selling at a profit maximizing quantity, *Bite Fresh* will conduct various focus groups. These groups will be exposed to a variety of meals and use their input to determine the appropriate price. This will ultimately allow us to determine our initial production launch models, future models, and the pricing for all types of meals.

One additional sensitivity is the acceptance of the foods to the traditional families, as many families may view the foods as “un-authentic”, which may lower the number of customers who have a taste for ethnically diverse food. (City Data, “San Bernardino County, California, Food and Environment Statistics, <http://www.city-data.com/food/food-San-Bernardino-California.html>) However, our foods have been vetted carefully to provide the most authentic and traditional meal as possible, so that no culture is left out and tainted with un-authentic ingredients or methods to make the meal. In addition, some of our customers are those who have a curiosity for ethnically diverse food and may view our food as too unique, and may seem unappealing to a large majority of the community. Our solution for this is to carefully survey community and adapt our menu based on community preferences without reducing our authenticity.

Lastly, we may face a reduced sales due to competition in the area due to a general growth in ethnic communities like Chinatown with their own specialized restaurants. However, we believe that our company will still be able to grow as we offer different ethnic foods giving customers more choices and therefore being more attractive. In addition, other specialized ethnic restaurants tend to not be as modern, making our efficient and fast delivery system as well as convenient ordering makes *Bite Fresh* a much more appealing option that can satisfy almost all of our customers wants. (Daniel Maraccini, “LA’s diverse restaurants give international students a taste of home”, [dailybruin.com/2016/09/16/restaurants-give-international-students-taste-of-home/](http://dailybruin.com/2016/09/16/restaurants-give-international-students-taste-of-home/))

## **4.0 Financial Institution**

### **4.1 Financial Institution for Loan Needs**

The financial institution we believe will best fulfill the needs of our business is California Bank and Trust. This decision was driven by the professional and respectful service we experienced in our personal continued usage of the bank's services. As a startup food delivery system, we looked for a bank capable of offering guidance as well as being heavily involved in the community which complements our company governance. California Bank and Trust has, since its inception, been dedicated to serving the local community through commercial lending, rather than through securities trading. In all, the bank's long term focus, as well as its close proximity to our business location will give it an unparalleled ability to assist our business. The California Bank and Trust is a part of the FDIC so they are a trusted institution for our company. (*California Bank & Trust, "Business, Commercial, Personal Banking | California Bank & Trust."*, <https://www.calbanktrust.com/>)

### **4.2 Loan Request**

*Bite Fresh* requires a home-equity line of credit \$688,910 with a 5.5% interest. *Bite Fresh* is asking for the high sum by offering up all 3 owner's houses as collateral, borrowing 85% of the value of each of the 3 houses. While a home equity line of credit is understandably risky with its high collateral of houses, the owners are confident in the future business's success, and believe that the high risks are necessary for a high return. (*Ponder, "Personal Loan vs Line of Credit", bankrate.com/personal-loan-line-of-credit*). In addition we will request a construction to permanent loan of \$250,669 with a 20% down payment and a 7.75% interest rate. With a 20% down payment paid initially by the owners, *Bite Fresh* will be able to make the interest more affordable, and be more flexibility by using the extra cash for unexpected expenditures that all start-ups face.

### **4.3 Purpose of Loan Request and Amount Requested**

The home equity line of credit is vital because this line of credit payment will cover major operational expenses that the business can't initially cover due to the lack of revenue. (Investors Bank, <https://www.myinvestors.com>). First, a big portion of the money will be used to pay for advertising and marketing to promote our business, such as the cultural marketing. This a worthwhile use of our loan funds because of the positive effect it can have to increase customer traffic for our local and suburban business. This is also especially true because as a startup it is necessary to develop a strong customer base initially. Another important use for the line of credit is to pay for the salaries, as it is unreasonable to pay them nothing initially. Additional funds will be used to help cover variable costs such as restocking supplies for bathrooms, office, and food for our customers. In addition, the payment will pay off for the five used vehicles that will be used for delivering the food. Moreover, our business is built upon return customers, and to ensure our customers are satisfied, we plan to acquire safe inventory to reduce turnover ratio and keep our ingredients as fresh as possible. The remaining part of the payment will also be used for paying for itemized expenditures that were bought from various vendors through accounts payable. This is to fully stock *Bite Fresh* for business, and ensure that everything is prepared for opening day. On



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the other hand, the construction-to-permanent loan of \$250,669 with a 20% down payment and a 7.75% interest rate. The loan will assist our company to pay for all of the renovations to the building such as the kitchen, offices, grocery store, and all of the appliances in relation to these facilities.

### 4.4 Itemized Planned Expenditures

Itemized expenditures are planned below. More supplies may be required in the future, but currently this is the chart that the company will follow through with. The total will include costs from the delivery system, kitchen, and grocery store. The itemized expenditures sheets was split into four categories: grocery store, kitchen, office, and automobiles. In total, 5 units of trucks will be ordered, kitchen appliances will be paid for via financial plans associated with the vendors, and grocery store shelves and items will be supplied from our producers and wholesalers. Flags for each country will be up on display as well, to make it easier to find their items easier. There will also be 4 units of cash registers ordered which will be rotated among the staff to provide the most efficient process of purchasing goods as possible. (*National Grid, "Managing Costs in Restaurants", www9.nationalgridus.com*)

Items	Number	Cost per One Unit
<b>Grocery Store</b>		
Sink	5	\$400.00
Cash registers	4	\$1,000.00
Counter Space	1	\$5,000.00
Shelves	20	\$600.00
Refrigerators	6	\$3,000.00
Freezer	6	\$1,200.00
Bathrooms	1	\$400.00
<b>Kitchen</b>		
Oven	2	\$1,500.00
Microwave	2	\$450.00
Tables/counters	6	\$250.00
Stove	3	\$1,300.00
Grill	2	\$200.00

Dishwasher	4	\$1,200.00
Sinks	3	\$200.00
<b>Office</b>		
Tables	5	\$500.00
Signs	7	\$85.00
Computers	10	\$350.00
Flags	8	\$50.00
Uniforms	10	\$20.00
Desks	8	\$600.00
Printers	3	\$200.00
<b>Automobiles</b>		
Vans	5	\$10,000.00
Refrigerators in Van	10	\$3,000.00
<b>Total</b>	<b>134</b>	<b>\$143,795.00</b>

### 4.5 Projections for Future Financial Stability

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 12	Month 60
<b>Revenue</b>								
Revenue from Meals	\$44,640	\$59,520	\$63,240	\$66,960	\$70,680	\$89,280	\$133,920	\$357,120
# of Meals Sold	3,720	4,960	5,270	5,580	5,890	7,440	11,160	29,760
Revenue from Grocery	\$9,920	\$17,856	\$29,760	\$45,136	\$9,520	\$78,120	\$124,000	\$309,969
# of Groceries Sold	1,653	2,976	4,251	6,448	7,440	8,880	12,400	28,179
<b>Gross Sales:</b>	<b>\$54,560.00</b>	<b>\$77,376.00</b>	<b>\$93,000.00</b>	<b>\$112,096.00</b>	<b>\$130,200.00</b>	<b>\$167,400.00</b>	<b>\$257,920.00</b>	<b>\$667,089.00</b>
<b>Fixed Costs:</b>								
Salaries-Delivery (7)	\$15,190.00	\$15,190.00	\$15,190.00	\$15,190.00	\$15,190.00	\$15,190.00	\$15,190.00	\$15,190.00
Salaries-Grocery (11)	\$13,950.00	\$13,950.00	\$13,950.00	\$13,950.00	\$13,950.00	\$13,950.00	\$13,950.00	\$13,950.00
Salaries-Kitchen (8)	\$33,460.00	\$33,460.00	\$33,460.00	\$33,460.00	\$33,460.00	\$33,460.00	\$33,460.00	\$33,460.00
Salaries - Managerial (4)	\$16,000.00	\$16,000.00	\$16,000.00	\$16,000.00	\$16,000.00	\$16,000.00	\$16,000.00	\$16,000.00
Salaries - Executive (3)	\$37,500.00	\$37,500.00	\$37,500.00	\$37,500.00	\$37,500.00	\$37,500.00	\$37,500.00	\$37,500.00
Lease Payment	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00
Construction to Permanent Loan	\$3,601.00	\$3,601.00	\$3,601.00	\$3,601.00	\$3,601.00	\$3,601.00	\$3,601.00	\$3,601.00
Line of Credit Payment	\$3,157.50	\$3,157.50	\$3,157.50	\$3,157.50	\$3,157.50	\$3,157.50	\$3,157.50	11,255.33
Employee Benefits	\$16,832.00	\$16,832.00	\$16,832.00	\$16,832.00	\$16,832.00	\$16,832.00	\$16,832.00	\$16,832.00
Utilities	\$9,625.00	\$9,625.00	\$9,625.00	\$9,625.00	\$9,625.00	\$9,625.00	\$9,625.00	\$9,625.00
<b>Total Fixed Costs</b>	<b>\$156,815.50</b>	<b>\$156,815.50</b>	<b>\$156,815.50</b>	<b>\$156,815.50</b>	<b>\$156,815.50</b>	<b>\$156,815.50</b>	<b>\$156,815.50</b>	<b>\$164,913.33</b>
<b>Variable Costs:</b>								
Food Supplies	\$18,186.00	\$25,792.00	\$31,000.00	\$37,365.33	\$43,400.00	\$55,800.00	\$64,480.00	\$107,595.00
Office Supplies	\$438.00	\$450.00	\$473.00	\$510.00	\$557.00	\$578.00	\$626.00	\$980
Advertising	\$16,780.00	\$20,136.00	\$19,230.00	\$17,450.00	\$15,940.00	\$13,830.00	\$18,110.00	\$10,110.00
Gas Costs	\$784.00	\$1,176.00	\$1,764.00	\$2,646.00	\$3,969.00	\$5,953.00	\$9,763.00	\$21,034
Miscellaneous Costs	\$1,326.00	\$1,392.00	\$1,427.00	\$1,476.00	\$1,512.00	\$1,584.00	\$2,357.00	\$2,679.00
<b>Total Variable Costs</b>	<b>\$37,514.00</b>	<b>\$48,946.00</b>	<b>\$53,894.00</b>	<b>\$59,447.33</b>	<b>\$65,378.00</b>	<b>\$77,745.00</b>	<b>\$95,536.00</b>	<b>\$110,274.00</b>
<b>Total Costs</b>	<b>\$194,329.50</b>	<b>\$205,761.50</b>	<b>\$210,709.50</b>	<b>\$216,262.83</b>	<b>\$222,193.50</b>	<b>\$234,560.50</b>	<b>\$252,351.50</b>	<b>\$275,187.33</b>
<b>Net Profit/Loss:</b>	<b>-\$139,769.50</b>	<b>-\$128,386</b>	<b>-\$117,709.50</b>	<b>-\$104,166.83</b>	<b>-\$91,993.50</b>	<b>-\$67,160.50</b>	<b>\$5,568.50</b>	<b>\$391,901.67</b>

The above chart projects our financial situation over the course of the next six months and multiyear projections of month 12 and month 60. Our projections were based off of estimated customer base and hours of operation of our establishment. Sales are projected to steadily increase as more and more cash is being put towards marketing and advertising, allowing us to attract a larger customer base. We do incur a



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net loss over the course of the first two months, however that will be recuperated within the following two months with additional profit.

As *Bite Fresh* begins to make a profit every month after the first year of operation, the main priority will be to maximize profit margins and pay off loans. After 10 years *Bite Fresh* will pay off all debt, and have access to a strong target market. In addition, *Bite Fresh* will also have franchises throughout the U.S; creating an additional stream of revenue and help increase margins for little cost. At month 60, *Bite Fresh* estimates to create \$667,089 of revenue and incur \$275,187.33 in total costs. (*How Much Do People Spend in the Food Economy?*, [www.earnest.com/blog/food-economy-spending-data/](http://www.earnest.com/blog/food-economy-spending-data/)) Although the costs may seem high, the \$391,901.67 will allow *Bite Fresh* to hire more workers and trucks to increase output, diversify menus with new cultures, and ultimately create a steady stream of revenue to main financial stability. However, in order to achieve this point of financial stability, it is essential for *Bite Fresh* to first and foremost pay off its loan and line of credit, as without them *Bite Fresh* will not be able to sustain the business during the initial stages of the company. (Terry, "*Factor This*", [factor-this.com/startup--line-of-credit/](http://factor-this.com/startup--line-of-credit/))

Much of these projections come from the conservative volume we expect upon opening for operation. The pricing for the meals and deliveries were carefully considered through a plethora of focus groups. By directly surveying a group of our target market, we were able to find at what price they are willing to pay for our meal, and whether they would be repeat customers. The home equity line of credit payment of \$688,910 at a 7.75% interest rate will be repaid through the first ten years of the company operation. (*Bianca, "Small Business Loans 101: Repaying Your Loan"*, [merchantmaverick.com/small-business-loan](http://merchantmaverick.com/small-business-loan)) In order to support this company motive, owners of *Bite Fresh* will not take a pay check the first year of business in order to reinvest all potential owner profits back into the company. We believe this is necessary due to ensure maximum growth. After the first year, the three owners will reevaluate the company revenue and adjust their respected salaries to such. Payments will come within two weeks to one month of tapping into the loan. The loan will be fully utilized and paid back, which will lead to a gain for our investors at the loan maturity, which will be around the twenty third month. Monthly payments of \$3,601 for 120 months will be paid towards the construction loan. In addition, the property will have an annual cost of about \$90,000 as we are utilizing 7,500 square feet. The monthly payment we will spend is \$7,500 which will be covered by the executives.

*Bite Fresh* also prioritizes their employees to a high degree in the senses that there will be a monthly payment of \$16,832 going towards their employee benefits. The benefits will include health insurance, life insurance, and paid vacation time. The income statement also outlines the various variable costs our company hopes to pay per month, including food supply, advertising, and other miscellaneous costs. As a fresh food delivery business, our goal is for our customers to be able to entrust our services and products as regular customers. With the amount we have invested in marketing and building a stable reputation within the community, not only will we keep our old customers loyal to us, but we will also attract new ones in the process. This will keep our revenues high and will help us become a large company in the long run. Once we have accumulated a larger amount of sales, we will expand outside of San Bernardino and in time, outside of California.



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