

# Product and services for the new venture finance essay

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## **Executive Summary**

### **Financial Forecast**

The anticipated annual sales for year one, two and three are \$608, 000, \$628, 064, and \$643, 766 respectively based on evaluations from operation of an existing restaurant. The net income for year one, two and three is projected to be \$18, 622, \$20, 173, and \$21, 367 respectively.

### **Capital Required / Financing**

A loan of \$50, 000 will be needed to finance purchase of assets for the restaurant and completion of leasehold advancements for the project. The interest rate of the loan is 7% for a period of five years. A line of credit of \$10, 000 will be funded by a local financial institute. It will be accessed to shield unforeseen deficits in working capital necessary for the venture. Its interest will be paid based on how it was used and will be determined at 7.00% based on the outstanding balance.

### **Background**

This project is a new restaurant totally has a unique concept which can work anywhere. The source of the idea came from the owner when the existing facility was given to him because he owns a Family Restaurant. In the past this site has proven to be an outstanding place for a restaurant. Tentatively named Restaurant, this restaurant will serve a double purpose by offering family dining and an area for classy intimate dining. An assorted family menu will sport substantial portions at realistic prices and will it will have a distinctive Texas Midwestern theme. The smaller yet unique menu, in the <https://assignbuster.com/product-and-services-for-the-new-venture-finance-essay/>

fine dining area will be changed on a regular basis. The design of Restaurant will be of a south western designing with brick, beige colors, a fountain, black metal tubing and garden adapting. One of the more exclusive features of this restaurant is that additionally it will offer entertainment through a live cooking exposition that will serve food right to a portion of the regulars.

## **Business Vision and History**

The mission of Restaurant will be " to surpass the customers' prospects in every sense through providing feeling for every sensory insight". The environment and food will delight the customers, taste, smell, hearing, sight and touch, and provide a thrilling creative atmosphere. The personnel will be equipped with outstanding customer service and will be endowed to make decisions on the basis of the business values.

## **Product and services for the new venture**

Restaurant will be a full service restaurant targeting to serve typically western style foods including the following: Family Dining Menu: It will consist of a unique array of things for breakfast and other main meals, which will be offered all day. The servings will be large with a reasonable price. A range of appetizers, drinks, side dishes, deserts, liquor and other items will be served to supplement the menu. Items like ribs and steak with their own exclusive flavor will be also part of the menu. Fine Dining Menu: It will consist of decadent specialties served to ensure they meet the eventual dining desire. It will be improved with a variety of liquors, wines, deserts and other stuffs to compliment the main menu and enrich the experience.

Changing and updating of the menus will be on a regular basis. Unique

Features: Restaurant will be about more than just great food; it will also be about creating dining preferences and entertainment for its clientele. There will be numerous exclusive features that will be novel to the public. It will house a cooking show and a special kiosk will be established where preparation of food will be in front of the customers. A number of tables will be reserved for those clients with tickets who would like to have the front row view of their food being prepared by the staff. The whole restaurant can view the cooking show, though; most of the restaurant will be served by the main kitchen. Restaurant will ensure there is always a very intimate, quality environment for those who would like to have that distinct night outs. The indication will be to provide an atmosphere of a dining pleasure that attracts persons wishing to rejoice that special occurrence or that intimate banquet with that exceptional person.

## **Research & Development**

The owner desires that one thing new in the market and Restaurant will try to fill this gap. The population is aging and Restaurant will try catering for this group. Older members of the family seem to be the determinants of family outings so restaurant will put into consideration their preferences. The location of Restaurant will draw customers from traffic, shopping malls and the surrounding area.

## **Production Processes**

Production of the food will only be of the best quality and the staff will be trained in outstanding customer service. There will be changing of menus

regularly to take care of customer demands. Evening features will be provided in the fine dining area.

## **Market analysis, marketing and sales**

In the recent years there has been start-up of numerous new restaurants in the metropolitan, mainly franchise operations. The business is fairly steady though prospects show that there will be no major growth anticipated in the near future. It is considered that the Any Where economy is presently stagnant due to drought in the agricultural segment and poor grain prices, and there is very little action in the gas and oil industry. It is anticipated that the local economy will advance in the near future with several new creativities ongoing for economic generation. The scope of Any Where remains unbroken; however, the population is becoming aging by day. Any Where is also seen as a great place to nurture a family and there is a good-sized population of families containing school age children. There are approximately 16, 000 people and the trading area has around 45, 000 people. Another key part Restaurant is highway traffic or tourism; the tourism trend is expected to continue into the future to uphold a steady or small amount of development in the restaurant business, for those situated along the Trans-Canada freeway. The owner's present restaurant, the extra place, yields 75% of its deals from highway traffic.

## **Industry Participants and Competitors**

There are essentially three categories of restaurants prevailing in Any Where. They include the following: 1.) Fast Food; which deals with all the major franchises. Their market target is people in a hurry, children, people

on a tight budget, and the highway traffic; 2.) Family Restaurants; which mostly with private restaurants with limited franchises and they usually rely on families and people with modest to high incomes, highway traffic, and aim to offer some diversity to the native population; 3.) Fine Dining; mostly private restaurants with limited franchises. They depend on mostly special events, high income families, and tourists.

### **Market Share & Sales Forecast**

It is realistic to assume that assumed the site, size of operation, and exclusive concept of this restaurant, it is likely will yield sales in excess of the current operation. The forecasts provided here are however based on a more conventional estimate. The estimated annual sales of \$608, 000, \$628, 064 and \$643, 766 in year one, two and three respectively are based on approximations from a current restaurant operation. It is projected that the net income will be \$18, 622, \$20, 173, and \$21, 367 for year one, two and three respectively.

### **Marketing & Promotion Strategy**

A promoting program will be established around the principal theme of the restaurant and will be marketed through local media. Vouchers will be allotted to the family dining section to inspire immediate sales. Noticeable signage will be created to entice both local and highway traffic. The word of mouth is expected to be a powerful means for drawing in local traffic. Charity programs will be supported for additional public associations and a 10% discount will be offered to its seniors to draw that market.

## **Product Strategy / Pricing Strategy**

The restaurant will offer a two-part product approach to attract consumers and they include the following: Family Dining which will offer quality food, quality service and entertainment, big portions and menu; Fine Dining; elegant ambiance, gourmet foods, and setting for pleasant mood, and distinctive entertainment experience.

## **Manufacturing and Operations**

Restaurants will be situated along the North Service Road East in the Holiday Inn. The restaurant has 100 seats with a 165-room Motel. The restaurant space will be let out at a monthly fee of \$4, 106 plus 20% of the Motel property taxes and 10% of overall Utilities.

## **Production Process / Work Flow**

The restaurant will source from a pool of current workforce, from Humpty's, to provide for part time necessities. Other employees will be hired and educated as needed. There is each time a deficiency of qualified workforce in the restaurant business and it is estimated that 40% of hired workforce come qualified, while the rest require to undergo training. The training of the staff will be executed by management helped by other qualified team who are conversant with philosophies, procedures and policy.

## **Operations / Production Description**

The restaurant will be operating 6: 00am to 12: 00am all the days of the week and the only probable day of shutting will be during the Christmas Day and the hours might be extended during the busy summer period. This location can accommodate 100 persons in addition to a preparation area and

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kitchen. The qualified workforce will be available throughout. The business will need a liquor license, a city operating license, and a Saskatchewan on Health Inspection. Acquiring of these licenses is expected to be easy.

## **Management Controls & Policies**

The employees will be educated on customer service policies to ensure the utmost standards are achieved and maintained. Other rules for day-to-day processes will be executed to ensure suave operations and responsibility of employees. They will include the following: till slips for recording day-to-day transactions in accounting software and all the transactions will be on cash basis.

## **Inventory / Buying & Control**

There will be an inventory maintained of between \$8, 000 and \$12, 000. Its turnover will be high due to the necessity for meat and fresh produce. The forecast has permitted for an inventory of \$15, 000. Family Restaurants will use suppliers of the current operation with the prospective for volume discounts and forthcoming savings on inventory and supplies. No volume has been accounted for potential discounts. The expected suppliers and their terms of payment include the following: Wholesale - C. O. D; Treen's Packers - 15 days; Serca/Bridge - 7 day/C. O. D and; Grama Bep's - 30 days.

## **Management Policy**

### **Organizational Structure**

Management refers to the owner with the responsibility for operations, overall management, and training. Restaurant Supervisor refers to the person to be hired responsible and in charge of service staff, planning of <https://assignbuster.com/product-and-services-for-the-new-venture-finance-essay/>



front-end inventory and operations, and training in combination with management. Kitchen Supervisor refers to the person to be in charge of kitchen staff, planning kitchen inventory, scheduling of kitchen operations, and teaching new staff in conjunction with management.

## **Salaries Compensation**

The Owner: \$2, 000 per month  
Kitchen Supervisor: \$2, 000 - \$2, 400 per month  
Restaurant Supervisor: \$1, 600 - \$2, 000 per month

## **Organization and Personnel**

### **Position Descriptions**

Waiters will serve the customers and offer greater customer service and satisfaction. Chefs will prepare food specially designed for this kind of restaurant. Hosts will greet and seat the clientele, list house events and specials, initiate associations with the clientele for the eventual dining experience. Bussing will clear tables proficiently and provide extra service to customers as demanded.

### **Wages**

Bussing will earn \$6. 00 per hour in addition to tips  
Chefs will earn \$1800 to \$2400 per month  
Hosts will earn \$8. 00 per hour in addition to tips  
Waiters will earn \$6. 00 per hour in addition tips

### **Market Training**

The supervisor and manager will execute most of the training proper to this operation. Additional industry suitable training will be sought to cater for the best quality training obtainable. Further short courses and seminars will be

held regularly to ensure that the restaurant workforce are current and effective.

### **Company ownership logic**

The ownership structure will include an incorporated company which will be established with The owner as the sole stakeholder. The information for the restaurant include the following: It will be registered as Restaurant's Family Restaurant Ltd. Address and phone contacts. The owner is an active associate of the community who presently owns and controls another Family Restaurant. The owner has been in the restaurant industry for up to four years. Before this the owner worked as a sales person in the restaurant industry for food equipment suppliers for many years. The owner is also a director member on the City Chamber of Commerce which shows the leadership skills in the owner.

### **Financial Analysis and Forecasting**

#### **Project Cost Summary**

All figures are based on best estimation from current industry accounting statistics, and definite professional cost quotes or appraisals from suppliers.

Buildings 150, 001 Manufacturing / Warehouse Equipment 54,

500 Renovations / Lease hold Improvements 68, 000 Inventory Opening 20,

000

**Total Costs 292, 501**

#### **Project Financing Summary**

Line of Credit 14, 751 Contributed Cash 82, 000 Loans / Leases 195, 750

## **Total Financing 292, 501**

Note: A line of credit of \$14, 751 will be needed for the preliminary startup of the operation. It will be acquired from a financial institution and the interest charges will only be deserved on the amount outstanding or used. The actual amount necessary for an operating line of credit needed to cater for operations in the starting year will be revealed in the cash flow forecasts based on the projected events of the year of operation. Specific loans, assets and contributions for the project are detailed in the following notes:

### **Building Cost:**

The total building cost is estimated to be \$150, 001. This cost includes the development cost of additional buildings, consultancy and contraction fees is \$150, 001.

### **Equipment & Furniture Cost:**

The total equipment and furniture cost is projected to be \$54, 500. This amount represents the total purchase cost. This includes manufacturing or warehousing equipment, all equipment and furnishing and all office furniture and equipment.

### **Renovations or Leasehold Improvements:**

Their total cost is \$68, 000. This cost includes necessary renovations, business and equipment leasehold improvements/development cost of the facility/building including all essential costs for services such as sewer, power, water, and energy.

**Inventory Cost:**

The total purchase of inventory necessary is estimated to be \$20, 000.

**Total Assets Contributed:**

There are no assets that have been donated to this project.

**Total Assets Purchased:**

The assets purchased include the following with their respective costs with a total of \$292, 501; Buildings 150, 001Manufacturing/Warehouse Equipment 54, 500Renovations/Leasehold Improvements 68, 000Inventory Opening 20, 000

**Total Assets Purchased292, 501****Total Cash Contributed:**

Sale of Stock/Shares 10, 000Proprietor/Shareholders Loans 72, 000

**Total Cash contributed82, 000****Summary of Project Funding:**

This includes any loans that will be acquired in year two or three. Loans / leases 195, 750Cash Contributed for Project 82, 000This division will give notes about sales, margins and cost of goods to be anticipated for the operation: The anticipated annual sales of \$476, 781, \$500, 737 and, \$526, 008 in year one, two and three respectively based on approximation only. For the first year operating period, sales are experienced by the following classifications: Food and Liquor Sales at a yearly total of \$476, 001New at a yearly total of \$780The anticipated revenue created from each sale classification on a monthly and annual basis is based depending on industry

operating data and also consultations with experts and contractors. The total sales proportions break down experienced by the stated classes in the first year of operating period are as shown below: Food and Liquor Sales are at 99.8% of the total annual sales New are at 0.2% of the total annual sales

### **Charge and Cash Sales:**

The business will strictly be on cash basis hence there will be no charges.

### **Cost of Sales & Gross Margin:**

The general cost of goods sold and gross margin percentages for the reported sales classifications are as shown below: Food and Liquor Sales with a 30.0% cost of goods sold and 70.0% gross margin New with a 43.0% cost of goods sold and 57.0% gross margin All these figures are based on industry operating data and consultations with specialists and suppliers. Note that the percentage used in the cost of sales represents the costs of the inventory that was sold in the period as a proportion of the total sales. Also the cost of sales includes all direct labor, insurance, materials, freight and any other expenses right related to the acquisition of goods that are to be sold to the customer.

### **Gross Margin Dollars:**

The yearly gross margin amount after subtracting the direct cost of stock replacement from the total gross sales experienced for the first year operating period is \$333,646. Second year is anticipated at \$350,415 and third year at \$368,109.

## **Operating expenses**

The totals for operating expenses for the first year operating period are projected at \$244, 867. For the second year operating period operating expenses are projected to rise to \$254, 888, and increase to \$258, 080 in the third year. The following section will provide an overview of the cash position, income, and the break-even point for the restaurant.

## **Line of Credit Interest and operating Income before Income Tax:**

The total operating income in the first year operating period is estimated at \$88, 779. Second year operating period is estimated to be \$95, 527 and the third year projected at \$110, 029.

## **Net Income before Tax:**

The net income for the first year operating period is estimated to be \$88, 772. Second year operating period is estimated at \$95, 527, and the third at \$110, 029. Note that the net income is determined after depreciation deductions and income tax deductions and before loan principal payments.

## **Cash Surplus or Deficit:**

The cash surplus for the first year operating period is estimated to be \$67, 897. The surplus for the second year is estimated to be \$147, 330 and for the third year the surplus is projected to be \$230, 208. The cash deficit or surplus total is acquired subtracting debt principal overheads to the long term debt and by adding back depreciation. Sales conducted on credit terms are also considered though there was none.

## **Breakeven Sales Volume:**

The first year operating period breakeven sales volume is projected at \$349, 820 and the average monthly sales volume is estimated at \$29, 152. The second year operating period breakeven sales volume is estimated to be \$364, 126 and the average monthly breakeven sales volume is estimated to be \$30, 344; and for the third year the breakeven sales volume is estimated to be \$368, 686 and the monthly breakeven sales volume is estimated to be \$30, 724. Breakeven sales are determined by dividing total the annual expenses, inclusive of the loan principal payments by the average estimated gross margin got from gross sales experienced. In the second year, the breakeven sales volume increased because all the expenses increased by 4. 1% and in the third year increased because all the expenses increased by 1. 3% to amend for inflation, variations in the sales and operations, and other variables.

## **The projected financial statements**

The following section will provide the projected financial statements, that is, the projected income statement, cash flow statement and the balance sheet. They have been provided as additional materials as different files.