

Business Plan

*The Protein Bar*

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## **Executive Summary**

The Protein Bar provides healthy beverages and on the go snacks to accommodate a wide range of physically active people. The fitness and nutrition industry is rapidly growing and our business intends to strategically capitalize on that growth. This lifestyle is especially popular with young adults as they are equipped with both the time and energy to achieve it. Therefore, we will be going into a partnership with Universities across the country starting out with the Pennsylvania State University. The main purpose of our business to be a perfect addition to a university campus. The main purpose of any university campus is to assist students in education and to provide as much experience as possible before entering the real world. The Protein Bar will help to achieve exactly that goal. While educating our customers on the benefit of workout supplements and vitamins we also will use our business to provide real world internship experience for students. Our value proposition for our business venture will have two keys aspects. First is the value we bring to the university by improving their image. By adding our protein shake and smoothie bar to their recreational facilities this shows the university is up to date with current trends and cares about the physical health of their students. Next we will offer internships to students, showing that the university finds every way to prepare their students with experience so that they may thrive in the real world. The second portion of our value proposition is to the customers we serve in the on campus recreational facility. We provide our customers will healthy post workout drinks and snacks conveniently located inside the facility. The Protein Bar will also educate our customers with which nutritional ingredients are best for the results they desire. Through thorough research and interviews with faculty of Penn State we are extremely confident in the viability and profitability of our business.

## **Problem Statement**

According to Mintel, approximately 60% of adults in the United States consume some kind of nutrition or performance drink. Protein shake and smoothie bars have started opening in many fitness centers, such as Shake Smart at San Diego State University. Penn State unfortunately does not offer this service at any of their fitness facilities, especially the Intramural (IM) Building, which receives 27,000 swipe-ins in a given week. On campus, the only location students can purchase protein shakes/smoothies is the Jamba Juice in the HUB, which is considerably far from the IM Building and closes much earlier than the fitness center's peak hours.

In a survey that polled 191 students that exercise at the IM Building, approximately 84.9% of them were interested in purchasing a protein shake/smoothie after they worked out. 50.8% of all students surveyed indicated "Always" or "Very Frequently" when asked how often they would purchase a protein shake/smoothie. This data indicates that there is an extremely high demand for this service amongst University Park students.

## **Products and Services Description**

The Protein Bar will offer its customers high quality, fresh fruit, individually made protein shakes. This will be achieved by using high quality ingredients, and usage of recipes designed

for either maintenance or gains by the Penn State sports nutrition department. The store location, operations, and marketing activities will be focused on maximizing the sales and distribution of protein smoothies in the IM building. Along with our set list of protein smoothies, The Protein Bar will also provide a daily smoothie option, a uniquely generated smoothie list created every other week, and an optional session with a nutrition counselor who can direct the consumer towards the right type of protein and smoothie choice which would be most beneficial for the consumers needs.

The Protein Bar's menu will be built around specialized protein packed shakes, which will be custom designed by the Penn State nutrition department. Each of these drinks, will be offered in either a maintain, or weight gain protein formula. The student can then decide which regimen suits them best. The Protein Bar intends to circulate a unique smoothie menu every two weeks, which will be created by the nutrition students on staff. In order to create a positive experience for the consumer, The Protein Bar will also provide a daily original smoothie option, which will be offered in both "build" formula and "maintain" formula.

Our company is hoping to incorporate Penn State sports nutrition students into the developing process of the menu, either as intern or work study students. The internship will consist of meetings twice a week, every week. Within these meetings, the students will work under the direction of a certified dietitian and a certified sports nutritionist. These students will create and develop our company's menu every two weeks, where The Protein Bar will then switch out menus every other week and provide a daily "special smoothie". Therefore this will further the student internship experience, by providing them with more experience developing a new smoothie recipe for every day in the upcoming week. As stated by Farrell Frankel, the assistant director of sports nutrition at Penn State, "Any study-work experience which a student can take part in during college is a positive experience, this will help a student develop time management and responsibility." Through this experience, these students would be managed and directed by certified dietitians, which will help them create and develop daily unique smoothies and a set smoothie menu week to week. Smoothies will be offered in both a "build" recipe, and a "maintain" recipe, which allows student more options to choose from depending on their routines.

Along with this, The Protein Bar will offer different types of protein, including whey, soy, and others depending on the nutrition departments recommendations. The incorporation of sports nutrition athletes is an essential part of our business plan. We are hoping to create a business which can incorporate students and offer internship opportunities to students in sports nutrition, an internship which they can experience training by another sports consulting nutritionist and a dietitian. During this internship, the students will work alongside, and under the supervision of certified dietitian, during which they will develop new smoothie recipes week by week and develop an understanding of the ingredients and development process of creating a beneficial protein smoothie. We believe our unique student opportunities will separate our company from current ordinary protein smoothie shops.

## Marketing and Sales

### Market Segment:

Our market segment is college students who have an interest in healthy lifestyle. We are targeting students who regularly use the university's gym facilities, usually live in campus. Another market segment is athletic groups and associations who come regularly to the gym for practices sessions and games.

### Unique Value:

The unique values that we will focus on emphasizing through marketing are convenience and college spirit support. The location of the bar being near the gym gate will promote easy access for people to grab a pre or post-workout drink. Incorporation of the nutrition department is the most unique value as it will promote the university's spirit into the place.

### Grand Opening:

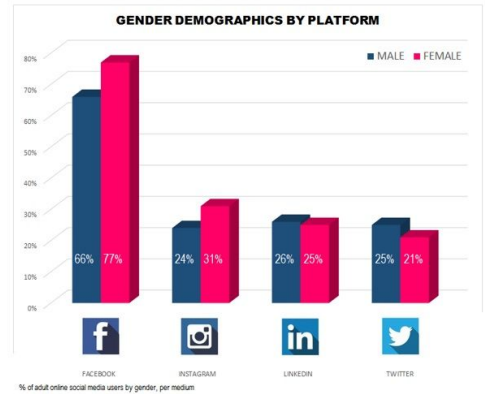
A grand opening for the store will be advertised in campus with flyers, HUB stands, and advertising boards as well as on social media. During the grand opening events, people can taste the smoothies for free, talk to nutritionists, and socialize.



### Social Media:

Because of the age group of our target customers, we will use social media as our main market segment. According to Pew Research Center, the most popular social media platforms for US adults between 18 and 29 in 2018 are Facebook and Instagram. We will use the advertisement feature in these two platforms to advertise for our business, especially the grand opening. Women also tend to use both Facebook and Instagram more than men, so our social media marketing plan will focus on attracting more female customers.

One idea to involve the student-run athletic organization is to involve them in the posts. For example, run a competition between all the organization where we post the organizations names on our account and the most liked or commented organization get a special discount for its people.



### LionCash and Meal Points:

Accepting LionCash and Meal Points will bring a huge advantage in making the brand popular amongst college students, especially freshmen.



### Rewards Program:

Rewards Program makes people more loyal to the brand. A rewards program include a reward card where after purchasing specific number of drinks, you get one for free. Also, the reward program include a free birthday drink, and special offers for members.



### Sustainability:

To promote sustainability, a refill discount will be offered if a person bring a reusable container with them. We also plan one using environmentally friendly cups and napkins to better our image as a company.



## **Operations**

The administrative side of The Protein Bar recognizes the management of business operations and decisions. The smoothie bar will be placed at the entrance of Penn State's Intramural building. This is an already existing facility and will be placed as an addition. The creation of smoothie bars at other campuses will all be placed in pre-existing athletic facilities as well. The staff is expected to consist of at least two full-time managers who could swap shifts. These managers will be trained through the ServSafe program to be legally certified to practice food and beverage safety. There will also be student shift leaders who will serve as student employees in a leadership position. Approximately four members will serve as student employee crew members to handle businesses day operations and services. The supplier will be an organic food supplier in the State College area. In terms of payment policies, customers will be permitted to pay using similar features of Penn State's current dining operations. The business will accept meal points, Lioncash, and accept most major credit card companies. The equipment costs can be analyzed in the financial section of this business plan.

The marketing aspect of the business is focused on creating demand for The Protein Bar. The location of the business helped with marketing aspects due to its ability to capture customers both inside and outside of the facility. It is conveniently located in the gym opposed to somewhere off campus. It is expected to capture customers from gym users. It will also be visible from the outside view, allowing customers passing by to utilize its features.

## **Management Team/Personnel**

Due to the limited size of the space, we will have a small number of employees working during one time. We will have 4 student employees operate as team members by taking orders from customers, making the shakes and smoothies, cleaning, and all other relevant operations. There will be one full-time manager working at a time who will oversee all operations and make sure everything is in order. Our plan is to hire 2 managers that will switch between shifts.

As a food vendor, health and food safety will have to be our top priority. The state of Pennsylvania requires at least one employee with a ServSafe food and beverage safety certificate to be working during all hours of operations. As such, we will have each full-time manager receive a ServSafe certification. They would then be responsible for teaching and ensuring their employees practice safe food handling.

Our plan is to hire a dietician to supervise a team of student nutritionist interns. These interns would develop the initial smoothie/shake flavors on the menu under the criteria they can help maintain one's figure or allow them to bulk and build muscle. The dietician would oversee the interns, providing resources and insight to help with their product development and approve the smoothie recipes. This would ensure that our products are high-quality and capable of delivering on the promise of workout recovery and healthy eating. After the initial menu is developed, the student nutritionist interns will continue collaborating to develop a new smoothie menu every two weeks.

## **Development**

After our proof of concept year with Penn State our vision for growth of the business includes opening new branches in universities that have a similar atmosphere as Penn State. Our two pronged value proposition to the university and to the customers we serve will help secure a deal with other universities. We are planning on having another branch every 2 years. We hope to spread all throughout the Big Ten then move to other universities throughout the country. To increase customer retention and loyalty we are also introducing a line of branded products such as T-shirts and shaker bottles.

We may challenge some obstacles if those universities have a way of operation different than Penn State. In this case, we need to study each location individually which may consume more time with a new plan and cost analysis. Another challenge is the competitors. In order to overcome the competitors, we always have to emphasize our unique value of cooperating with the university's nutrition department and keep our prices lower.

## **Financial Projections**

When projecting our financials the biggest concern was will there be enough demand from consumers and will there be demand from the actual university to have a smoothie bar. During meeting with David Gingher, Director of Retail Dining and Food Services, we asked if he has looked into this idea before. David mentioned he has looked into capture rates and the average number of gym attendees. The capture rate of daily foot traffic per day, that he found, was 25-30%. From our survey of 191 people, 15% said that if a smoothie bar existed they would always buy a smoothie/protein shake after working out and 35% said very frequently. To be conservative we used a 18% capture rate of daily attendants. David also gave us the average number of Intramural Building attendants to be 5000 per day and 2000 on the weekends. Using these validated statistics we then calculated our yearly revenues. In order to finance the startup costs of our business, we will be taking out a business loan of about 370k for our first smoothie bar. In year 2 we hope to begin construction of our second smoothie and will finance this using a loan of 250k and some retained earnings. These loans will help pay 250k for construction, 100k for equipment (freezers, high capacity blenders etc.) legal expenses and marketing. Taking into account the time value of money and first mover advantages, taking out a loan, so that we may move ahead with construction as soon as possible, will be the most profitable.

Using the information from David Gingher, our capture rate of 18% and considering we will not be open during the summer months, we projected yearly revenues of about 830k per year. By adding new products or options, and with increasing customer loyalty we predict revenues will increase about 2.5% per year. By year 2 we hope to open a new smoothie bar at another university with similar size and predict revenues to double after construction. In regards to costs of goods sold, from our research of other smoothie bars and suppliers we predict raw supplies and disposable materials to be about 40% of our product's price. After year one we predict to see a decline in costs as we streamline the logistics of the supply and production process. Other key financial information we received from David Gingher regarded construction costs, rent, wages and benefits for our employees. Using this we calculated our operating costs to be about 330k

per year per smoothie bar. After taxes interest and depreciation, our net profit for our Penn State proof of concept year will be about 105k. This will give us a 13% net profit margin. After opening a new location and taking into account increases in revenues and decreases in our costs we predict to reach a 19% profit margin. Including the principal we would need to payback on our loans, with our net profit we would be able to break even in about 3.8 years. Although we would not plan on paying back both loans in 4 years, as we would need to have cash on hand, it does show that our business can and will be profitable.

### Income Statement:

Year	0	1	2	3	4	5	6
Revenue		\$ 831,060.00	\$ 851,836.50	\$ 1,704,192.41	\$ 1,746,797.22	\$ 1,790,467.15	\$ 1,835,228.83
(Total COGS)		\$ (332,424.00)	\$ (332,216.24)	\$ (664,635.04)	\$ (681,250.92)	\$ (680,377.52)	\$ (679,034.67)
Total Gross Profit		\$ 498,636.00	\$ 519,620.27	\$ 1,039,557.37	\$ 1,065,546.31	\$ 1,110,089.64	\$ 1,156,194.16
(Salaries and Benefits)		\$ (257,038.46)	\$ (231,334.62)	\$ (462,669.23)	\$ (474,235.96)	\$ (497,947.76)	\$ (507,906.71)
(Rent)		\$ (42,000.00)	\$ (42,000.00)	\$ (84,000.00)	\$ (84,000.00)	\$ (84,000.00)	\$ (84,000.00)
(Legal Expenses)	\$ (15,300.00)		\$ (15,300.00)				
(Marketing)	\$ (1,580.00)		\$ (1,580.00)				
(Insurance)		\$ (7,400.00)	\$ (7,400.00)	\$ (14,800.00)	\$ (14,800.00)	\$ (14,800.00)	\$ (14,800.00)
<b>(Total Operating Expenses)</b>	<b>\$ (16,880.00)</b>	<b>\$ (306,438.46)</b>	<b>\$ (297,614.62)</b>	<b>\$ (561,469.23)</b>	<b>\$ (573,035.96)</b>	<b>\$ (596,747.76)</b>	<b>\$ (606,706.71)</b>
<b>EBITDA</b>	<b>\$ (16,880.00)</b>	<b>\$ 192,197.54</b>	<b>\$ 222,005.65</b>	<b>\$ 478,088.14</b>	<b>\$ 492,510.34</b>	<b>\$ 513,341.88</b>	<b>\$ 549,487.45</b>
Depreciation (PP&E 2)				\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)
Depreciation (PP&E)		\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)
<b>EBIT</b>	<b>\$ (16,880.00)</b>	<b>\$ 182,197.54</b>	<b>\$ 212,005.65</b>	<b>\$ 458,088.14</b>	<b>\$ 472,510.34</b>	<b>\$ 493,341.88</b>	<b>\$ 529,487.45</b>
(Interest Expense)		\$ (37,000.00)	\$ (37,000.00)	\$ (62,000.00)	\$ (62,000.00)	\$ (62,000.00)	\$ (62,000.00)
Corporate Income Tax (22%)		\$ (40,083.46)	\$ (46,641.24)	\$ (100,779.39)	\$ (103,952.28)	\$ (108,535.21)	\$ (116,487.24)
<b>Net Profit</b>	<b>\$ (16,880.00)</b>	<b>\$ 105,114.08</b>	<b>\$ 128,364.41</b>	<b>\$ 295,308.75</b>	<b>\$ 306,558.07</b>	<b>\$ 322,806.66</b>	<b>\$ 351,000.21</b>
Net Profit Margin		13%	15%	17%	18%	18%	19%