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5. All activities or original research procedures described in this entry are accurate depictions of my efforts or, in the case of team projects, the efforts of my team.
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Independent Business Plan

Competitive Event

Skyline High School

School

Washington

Chartered Association (State/Province)

To the best of my knowledge, I verify that the above statements are true and that the student's (students') work does not constitute plagiarism.

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Independent Business Plan



SECOND CHANCE FOODS



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I. Executive Summary



SecondChance Foods: SecondChance Foods is a Chicago-based social enterprise committed to providing a financially realistic avenue for lower class residents to sustain nutritious diets whilst simultaneously contributing to environmental conservation efforts. SecondChance will purchase healthy, soon-to-be wasted foods from Costco and resell them in low-income Chicago communities for heavily discounted prices. SecondChance Foods aims to penetrate the current Chicago grocery market by implementing the tangible manifestation of the currently nonexistent medium between food banks and mainstream grocers.

The SecondChance Model



Problems

1 in 5 Chicago Residents are food insecure, and are not confident that they will find their next meal. As the cycle of poverty in Chicago has systematically left many people struggling to meet their own basic needs, many families go hungry every day.



Solutions

SecondChance Foods will offer low-income Chicago residents food that they can afford. We will open up four discount grocery stores in the hearts of struggling communities. Our stores will allow customers to buy groceries for less than 50% of their retail price.

Healthy, quality food is expensive and typically catered towards the upper and middle socioeconomic classes. Low-income families are only able to afford unhealthy, processed food, making their obesity rates **9%** higher than the middle and upper classes.



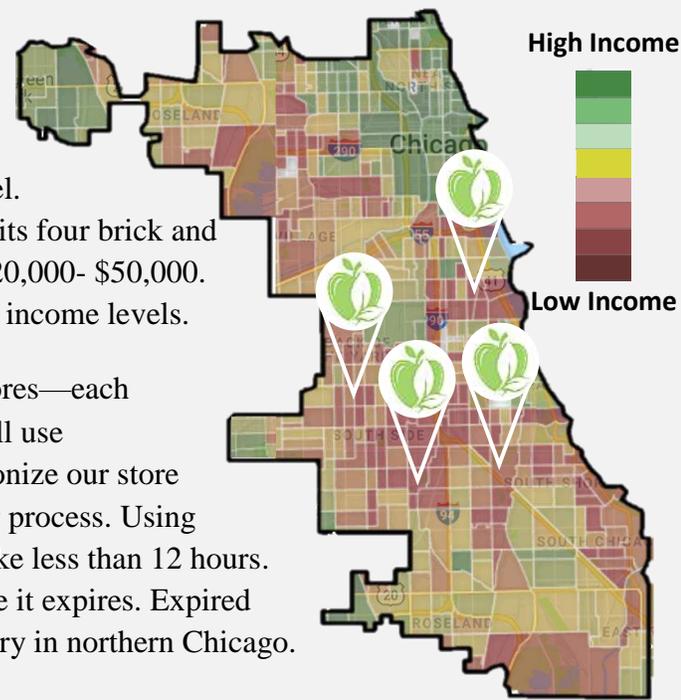
We will purchase food that abides by the *SecondChance Health Standards*, a set of scientifically grounded guidelines that act as filters for what we purchase. We will give low-income communities a chance to buy healthy food for lower prices.

American grocers waste approximately **40%** of food that is near or past its expiration date, with damaged packaging, or from an outdated season. This food leads to 25% of the U.S. methane emissions, which contributes directly to global warming.



We will buy consumable foods that are soon to expire, out of season, or have damaged packaging from local Costco Wholesalers. Instead of being wasted, the food will be either sold to someone in need or delivered to ecofriendly biofuel stations.

Customer Segments: According to Huffington Post, a family needs a \$34,000 yearly income to purchase essentials. In Chicago, however, 434,000 people live below this income level. SecondChance will target these low-income residents by placing its four brick and mortar stores in areas with median household income levels of \$20,000- \$50,000. The map to the right displays our locations in relation to Chicago income levels.



Channels: Distribution trucks will transport products to our stores—each within 26 minutes of their corresponding Costco supplier. We will use *MessageXChange*, Costco’s electronic invoice system, to synchronize our store operations with Costco, allowing for an instantaneous purchasing process. Using industry standards, we estimate the buying/shelving process to take less than 12 hours. Our competitive pricing will allow food to be sold quickly, before it expires. Expired food will be directly transported to the Fulcrum Biofuel Depository in northern Chicago.



Revenue Streams: On average, we will purchase products for 25% of their retail price. By using a *Markup Percentage Model*, we will determine how much to mark up each product based on which of the three pricing brackets that the said product falls under. Our most marked up products will only cost 50% of their retail price, making our stores the most competitively priced in Chicago. Furthermore, we will capitalize on our resources to maximize profits by selling ad space in our stores. As SecondChance establishes itself in the community, we will sell space for shelf advertisements, shopping cart advertisements, and marketing information stands at increasing prices. Our Advertisement Model will generate \$1,309,152 within our first three years, making up 13% of our revenue.

Cost Structure: We will use three marketing channels to acquire customers. First, through Search Engine Optimization, we will use advanced online search promotion to create brand awareness through our website. Secondly, we will strategically place Sampling Stations in urban centers to familiarize customers with our high-quality food and environmental cause. Lastly, through Affiliate Marketing, we will incentivize customers to promote our store through word-of-mouth marketing. Our distribution channels require semi-trucks, gas and electronic data systems that maximize efficiency. Our Human Resource costs will consist of annually compensating three executives, six employees in the management department, and 48 employees in the in-store-operations department. Additional costs will include leasing four properties, setting up and continuously running our four stores, and purchasing fixed assets. The following chart outlines our projected costs.

2019 Summarized Cost Structure			
Customer Acquisition	Distribution	Human Resource	Additional
\$91,908	\$293,739	\$1,890,876	\$1,075,119

Detailed Financials: Below are the condensed cash flow and income statements projected for the next three years. The following graph and chart outline our projected sales and our 2021 income percentages.

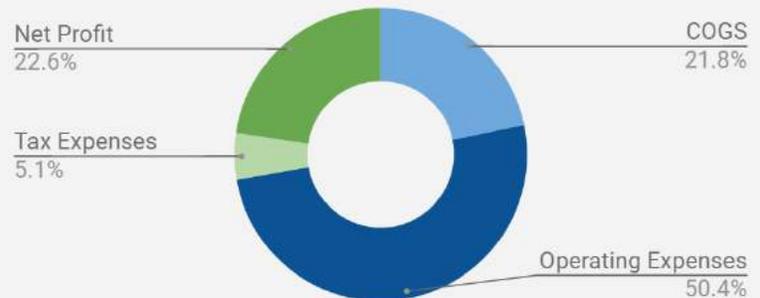
SecondChance Forecasted Statement of Cash Flows For the years ended December 31, 2019, 2020, 2021			
	2019	2020	2021
Beginning Cash Balance	\$ -	110,674	131,051
Cash Inflows:			
Owner	267,000		
Bank	623,000		
Operations	3,233,073	3,891,744	4,716,433
Total Cash Inflows	4,123,073	3,891,744	4,716,433
Cash Outflows			
Fixed Assets	199,150		
Inventory	1,045,395	1,143,875	1,258,263
Payroll and Related	1,890,876	1,947,602	2,006,031
Advertising	95,352	98,213	101,159
Other	839,431	681,677	775,698
Total Cash Outflows	4,012,399	3,871,367	4,141,151
Net Cash Flow	379,540	20,377	703,282
Ending Balance	110,674	131,051	706,334

SecondChance Forecasted Statement of Income For the years ended December 31, 2019, 2020, 2021			
	2019	2020	2021
Operating Revenue	3,233,073	3,891,744	4,716,433
Cost of Goods Sold	1,045,395	1,143,875	1,258,263
Gross Profit	2,187,678	2,747,869	3,458,171
Operating Expenses	2,745,018	2,682,774	2,616,054
Income/Loss Before Tax	(557,340)	65,095	956,504
Interest Expense	40,867	34,607	27,895
Tax Expense	(111,468)	13,019	168,423
Net Income [Loss]	(445,872)	52,076	673,693
	(14)	1%	14%

3-Year Sales and Profits



2021 Income Percentages



Key Metrics: Displayed below are three of our Performance Indicators, which are the metrics we will use to evaluate SecondChance's financial, operational, and industry-specific development.

SecondChance Key Metrics				
Metrics	Purpose	Calculation	Benchmark	How to Improve
Acid ratio	Reveals if there are enough guaranteed current assets to satisfy immediate liabilities	(Current assets – Inventory) / current liabilities	1 : 1	Move products faster by offering favorable buying methods (like no interest A/R)
Staff turnover	Shows how satisfied employees are with working conditions	Employee separations / # of customers	< 15%	Increase benefits for employees who work for multiple years and better emphasize a positive work atmosphere
Retail Conversion Rate	To measure how profitable store traffic	# of paying customers / number of visitors	Industry: 4% 2019: 6.5%	<ul style="list-style-type: none"> Educate employees on sales tactics Establish a welcoming atmosphere

Join us, as we embark on this honorable business venture to provide Chicago residents with a **SecondChance**. We are requesting a \$623,000 loan to be paid off over 6 years with 7% interest.

II. Problem



Problem: SecondChance Foods aims to alleviate the issues low-income families face when buying food. Many Americans go hungry every day due to unaffordable groceries, while millions of tons of food go to waste. Outlined below are the three most important problems that SecondChance Foods will strive to fix.



1. Low-income families have trouble affording food and groceries.

13 millions children in America live in food insecure homes, which is approximately 1 in 6 children.

Each year, millions of families go hungry across America. As the cycle of poverty has systematically left many adults struggling to meet their own basic needs, children in low-income communities are particularly feeling the effects. While countless non-profits, along with strategic government actions, have worked to combat the epidemic, there is still an abundance of work to be done. Chicago in particular has a largely divided population, with a large portion of low-income residents and an abnormally small middle class.



2. Healthy, quality food is less accessible to low-income families.

Obesity rates are 9% higher among people of a low socioeconomic status.

Both the locations of upscale supermarkets and restaurants, as well as the pricing of the healthy foods in which they provide, contribute to the struggle of low-income people to sustain a quality diet. Healthy, quality food is expensive and typically catered towards the upper and middle classes. Most low-income families survive on only unhealthy, processed food, which leads to dangerous health affects, such as obesity, diabetes and cardiac problems.



3. Grocers waste harmful amounts of food products.

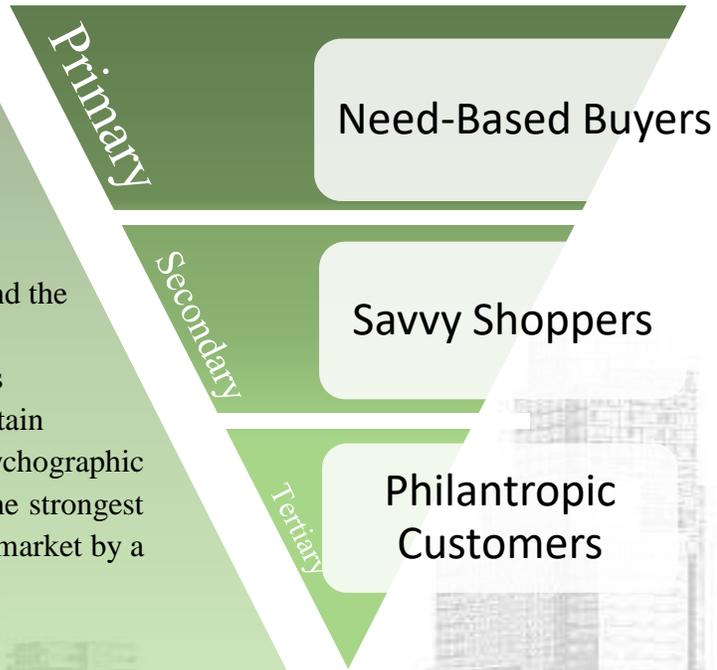
American grocers waste approximately 40% of food that is near/past its expiration date, with damaged packaging, or from and outdated season.

Grocery stores in the United States waste over 45 billion pounds of edible food each year . Rotten food in landfills emits 25% of the total United States methane emissions. Methane is a powerful greenhouse gas that increases global warming. Moreover, 14% of greenhouse gases are generated from the process of cultivating, manufacturing, transporting and disposing food. If a higher percentage of the food that is produced is consumed, less food will need to be produced, which will lower pollution levels, as well as the amount of resources used in the food industry.

III. Customer Segments



Segmenting our market strategically is vital to sell our products, as segmentation shapes our marketing techniques and financial decisions. This visual to the right displays the segmentation concept of the **inverted pyramid**, where each division represents a separate target market (organized from anticipated profitability with the top being most profitable and the bottom being the third most profitable). Grocery stores have specific segmentation characteristics, as the product, food, appeals universally across every race, gender, and ethnicity. However, certain aspects, such as income, shopping behavior, and psychographic characteristics, will be used to find which customers will have the strongest attraction to our unique value proposition. We named each target market by a characteristic that will draw them to our store.



Primary – Need-Based Buyers

Our primary demographic, labeled as “Need-Based Shoppers”, is drawn to shop at our business due to their inability to afford substantial food from established grocery retailers. According to Huffington Post, a family needs a \$34,000 yearly income to purchase essentials. However, in Chicago, 434,000 people live below this income level. Furthermore, of these citizens, 32.9% do not qualify for food stamps or food bank access. The primary segment will be targeted demographically, specifically by falling within an annual income bracket of \$25,000- \$34,000. We estimate 150,000 customers from this group.

Secondary – Savvy Shoppers

Our secondary segment, on the other hand, have the ability to purchase groceries elsewhere, yet come to our stores in search of discount. These “Savvy Shoppers” will be segmented demographically, by income level, and behaviorally, by shopping tendencies. In Chicago, \$74,600 per year is the minimum salary required to live comfortably, therefore, we look to target those in the \$35,000-\$75,000 income bracket. As we will be establishing only brick-and-mortar stores, we will direct our company towards customers who buy in-person.

Tertiary – Philanthropic Customers

Unlike the last two segments, the “Philanthropic Customers” will be drawn to shop at our store, not for personal gain, but to support our company’s eco-friendly cause of operating with no waste involved. This type of green marketing appeals to a specific demographic, which is how we segmented the tertiary market. For this reason, we focused on the psychographic characteristic of holding an eco-centric worldview, a characteristic shared among people who fall between 18-34 years old and earn over \$100,000 per year.

Targeting – Geographic

Now established, a specialized process of targeting must occur to pinpoint our primary, secondary and tertiary demographics, and to thus maximize profitability. With a precedence on location, we developed an outline of how our business plan will reach these three vastly diverse groups.



Demonstrated in the previous page, our business appeals to all income levels. Therefore, the placement of our brick-and-mortar stores must be in close proximity to an economically diverse population. This is part of the reason to why we chose Chicago, as mere blocks separate poverty and wealth. Based on the graph we found the optimal locations of our four stores. As shown above, these brick-and-mortar retailers are all placed in areas featuring median household income levels of \$20,000- \$50,000¹. Also, all the stores are located near grey and blue parts of the map, meaning that, despite being based in low income neighborhoods, the location is still accessible for our secondary and tertiary market segments.

IV. Unique Value Proposition

The most vital component of any social enterprise is, inarguably, how it contributes to the betterment of society

—World Vision Founder **Robert Pierce**

In this regard, SecondChance Foods is a model like no other. Our **multi-faceted** approach encapsulates all a business could hope to give back to the community whilst simultaneously making a profit and benefitting domestic business; through our model, **everyone wins**. Numerous social enterprises will vouch for social equality or environmental preservation, yet few are able to incorporate both of these critical elements into their mission, let alone contribute positively to larger companies. In short, the unique value of SecondChance Foods starts with our invaluable, innovative mission, continues with our products, and is finalized by our revolutionary atmospheric approach. SecondChance's 4-Piece Matrix encapsulates our vision.

¹ Galland, Zoe. "How Rich Is Your Neighborhood?" Crain's Chicago Business, 8 Jan. 2013,

Customer Discounts

We gain a competitive advantage through our revolutionary **ZeroWaste business model**, which consists of only selling products that would have otherwise been wasted. This model allows us to price high quality goods at rates far lower than our competitors. In turn, our customers will save considerably on products that will benefit them in their daily lives.

Supplier Savings

Through our revolutionary ZeroWaste model, suppliers will benefit by guaranteeing the sales of products that would have been otherwise wasted due to expiration policies. Also, companies will save the expense of waste management services. Second Chance will take care of all of the waste-handling responsibilities and will pay suppliers to do it.

Second Chance's 4-Piece Matrix

EcoBranding

The combination of green marketing and federal tax benefits will give our business a great non-product competitive advantage. SecondChance Foods will reduce the food waste produced by the Chicago area and which will preserve environment and save resources. Those who value protecting the environment will be attracted to our eco-friendly store.

Atmospheric Approach

Moreover, the design elements within our brick-and-mortar facility will combine synergistically to produce an atmosphere that aims to be inviting to customers—thus encouraging passer-by customers to enter the store for the first time, as well as inviting customers to engage in repeat visit. With a precedence on aesthetics SecondChance will create a modern—yet not overly expensive—interior design which will be standard for all 4 of the retail locations.

V. Solution



Features of SecondChance Foods

SecondChance Foods will alleviate Chicago's pervasive hunger problem, enable low-income families to sustain healthy diets, and decrease food waste. We will accomplish this by selling healthy foodstuffs, which would have otherwise been wasted, to low-income communities at discount prices. It will provide the following central features to the people in Chicago and to the environment.

1. Providing low-income families affordable food and groceries.

Second Chance Foods will offer low-income Chicago residents food that they can afford. We will open up four discount grocery stores in the hearts of poor communities. We will purchase unwanted food from supermarkets at heavily reduced prices and then sell it to low-income people for prices far below retail. Currently, 32% of Chicago residents are low-income families, making less than \$47,248 per year (source). Low-income households spent 34.1% of their income on food in 2017, which is \$4,070. That is nearly half as much money as the amount determined necessary to fully feed a family of four according to the U.S. 2018 Dietary Guidelines. By making products an average of 42% of current grocery store costs, a low-income family will be able to fully feed themselves with the money that they earn.





2. Enabling low-income families to sustain healthy diets

SecondChance Foods will give the low-income population of Chicago a new opportunity to purchase healthy food. We will purchase food if it abides by the *SecondChance Foods Health Standards*, a set of standards that can determine if a food is healthy based on the food group that it belongs to and the type of food it is. Each specific food item must meet a determined threshold for the amount of sugar, saturated and trans fats, sodium and calories it contains, based on what type of food it is. Our standards are based off of doctors and health organizations recommendations on how much of these substances should be consumed to sustain a healthy diet.



3. Decreasing food waste by making use of unwanted food.

Second Chance Foods will develop a partnership with four Costco Wholesale locations in Chicago. Costco Wholesale is a food retailer that sells food in bulk for wholesale prices; **all Costco stores follow a policy of removing food from shelves at least two weeks before it expires.** We will benefit from this policy by purchasing, at reduced prices, the food that these stores plan to throw out. **We will buy consumable foods that that are soon to expire, are out of season, or have damaged packaging.** Instead of being wasted, the food that Second Chance Foods salvages will be sold and consumed. Furthermore, all food that Second Chance is not able to sell due to expiration will be given into biofuel centers, which will convert the food to biofuel.

VI. Channels



Exclusive Distribution defines our selected intensity of distribution. Our four brick-and-mortar retailers will sell our products directly to the customer. SecondChance will act as an intermediary, making Costco a wholesale supplier. The products sold by SecondChance will be sold exclusively in SecondChance retail stores.

Integration: Rapid turnover is part of the nature of the food retailing market; with reselling food, turnover is extraordinarily fast. Thus, our channel integration plan will center around a theme of efficiency. Despite engaging in a two-level distribution network, we limit our integration scope to the channel connecting Costco (the wholesaler) and SecondChance (the retailer), along with the channel connecting SecondChance and the customers. To promote efficiency, we will synchronize our business operations with Costco.

1

We will order from Costco using the invoice system that they are currently operating with, MessageXchange. By using the same system, orders will be received and processed at a more efficient rate.

2

Electronic Data Interchange (**EDI**), a program which allows order requests to be completely automated, will be implemented by our company to allow for the most efficient type of delivery: Just-in-Time. Just-in-Time, combined with **EDI** will allow for orders to be placed quick and delivered just when we need them, thus allowing for the full use of the turn-over period.

From the Supplier to the Customer

Pictured to the right are the pathways that our trucks will take to get food from our Costco suppliers to our stores and then to the biofuel depository. Each SecondChance store is strategically located so that it is close to a Costco Wholesale. Money used on gas and transportation will be held to a minimum due to our short and direct routes. Three types of trucks will be used to transport products: freezer storage box trucks, refrigerated box trucks, and standard (non-refrigerated) flatbed trucks. The average time it will take our trucks to carry food from our Costco suppliers to our stores is **26 minutes**. Based on industry standards, loading and unloading of a truck takes approximately 4-6 hours². Using similar standards, shelving a full inventory of grocery goods takes approximately 3-5 hours (depending on work force capabilities)³. Furthermore, with our synchronized ordering/invoice system, buying will be an instantaneous process in which as soon as a requested product is available, it will be purchased. With the most conservative of estimates, the buying-shipping-shelving process will take under 12 hours (thus the product can be bought and moved in a single workday, allowing us to use the 13 out of the 14 days before the product becomes expired). The low price that they will be available for will encourage quick sales and force most food to be sold before it is unsafe to sell.



VII. Revenue Streams

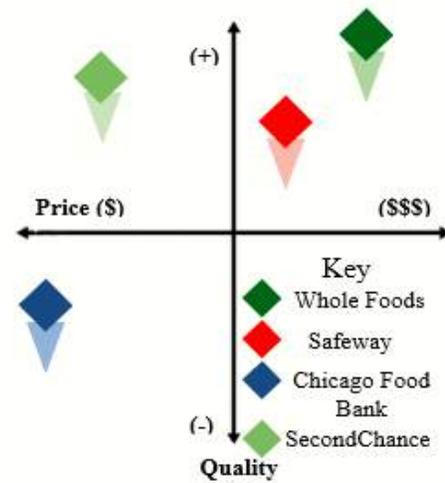
The Revenue Model: Profit margins of grocery stores are razor thin. To combat this potential issue, we decided to enact two revenue models to maximize profits: the Markup model and the Advertising model. A static pricing method will be set for the sale of food product as our prices will already be so competitive, lower prices will not be necessary for the initial customer acquisition. A markup model describes businesses who set up a selling price which adds profits while taking into consideration Cost of Goods sold and overhead costs. This model, which is most commonly used for grocery store companies, involves selling products at an increased percentage (called the **markup percentage**). Items that cost more tend to have higher markup percentages; therefore, to appropriately price each product we established three pricing brackets: a low price bracket (which includes products priced under \$5.00), a medium price bracket (which includes products priced \$5.00 - \$10.00), and a high price bracket (which includes products priced over \$10). All products' prices will be determined using the proceeding equation:

$$\left(\text{Retail Price} * 0.25 \right) * \left(1 + \text{MarkUp Percentage} \right) = \text{Selling Price}$$

² "How Much Time Spent Waiting to Load / Unload?" *TruckersReport.com*

³ L.D., Katherine Zeratsky R.D. "How Long Can You Keep Leftovers?" *Mayo Clinic*, Mayo Foundation for Medical Education and Research

This cost will then be multiplied by the **markup percentage** which is **80%** for goods in the **low-price bracket**, **90%** for goods in the **medium price bracket**, and **100%** for goods in **high price bracket**. Despite these high markups, customers will still purchase the items due to our primary unique value proposition: the cost. Even with 100% markup percentage, our products are still only half the price of our competitors, with the same quality of products. A competitor comparison is shown to the right. SecondChance is in the upper left quadrant (low price, high quality), which is justifiable for our segmented markets as we target people who need savings and for people who want healthy food at low prices, thus our location on the chart appeals to our primary and secondary demographics.



The advertising revenue model is utilized by brick-and-mortar companies to display advertisements in exchange for a cost. Grocery stores use various parts of their operation for ad space, the three major places being Shelf Advertising, Marketing Information Centers, and Shopping Cart display ads. Due to the risks associated with new companies, we expect advertisers to have an initial hesitancy to purchase ad space in our store. Therefore, we will sell these spaces at highly competitive rates our first year and then, as our company becomes established in the Chicago market, we will increase advertisement prices until they are comparable to other grocery stores⁴. The official pricing is shown in the proceeding chart (For reference: the price of one Shelf Advertisement includes the ability to advertise on 4 aisles for the entire year, the price of Shopping Cart Advertisements includes the ability to advertise on 50 shopping carts for the entire year, and the Marketing Information Center includes the price of displaying one 6' by 8' stand to advertise from).

SecondChance's Advertising Pricing Model (A 3 year Plan)				
Product	2019	2020	2021	3 Year Pricing Increase (%)
Shelf Advertisements	\$10,400	\$10,900	\$11,400	9.6%
Shopping Cart Advertisements	\$8,040	\$8,410	\$8,820	9.7%
Marketing Information Centers	\$23,800	\$24,500	\$26,200	9.1%

These two revenue stream models, advertising and markup, combine to generate or total revenue stream.

$$\begin{array}{c} \$ \\ \text{Markup Stream (85\% of total revenue)} \end{array} + \begin{array}{c} \text{Markup Stream (85\% of total revenue)} \\ \end{array} = \text{Total Revenue}$$

Market growth in the grocery industry is very minute, as changes in demand rarely happen. The reason for this market's stability is that the product—food—is, and always will be, in demand. However, SecondChance also falls under the domain of salvage stores (companies that buy unwanted goods from retailers and sell them at discounted rates). This industry developed recently and since then has experienced steady growth.

The Life Time Values: Life time values (LTVs) are utilized by businesses to calculate the predicted monetary value of individual customers over time, which in turn allows for a quantifiable foundation when evaluating advertising techniques and future cash flow for the business. The equation below serves as a heuristic gauge for determining the LTV for business. The equation below serves as a heuristic gauge for determining the LTV for each of our customer segments:

$$\begin{array}{c} \text{Average Gross Customer Lifespan} \\ \text{Number of Repeat Transactions} \\ \text{Annual Number of Transactions} \end{array} * *$$

⁴ "Supermarket Ads." *Movie Theater and Cinema Advertising in Over 200 Cities*,

Revenue: Being a necessity, the grocery industry does not benefit from sizable seasonal peaks. However, there are times in a one-year span when sales will be higher than others. People will always purchase food and have two main sources for this need: restaurants and grocery stores. Therefore, seasonal increases will be the inverse of restaurants' selling peaks. The lowest times for restaurant sales are January-March and September-November⁵ (with the lowest months of February and October). The units sold were based on industry standards of retail grocers⁶. Despite basing our sales on competing stores, we realize that sales will be lower initially, as new stores take a while to reach maximum sales. For the advertising revenue streams, the units sold does not increase over the three-year forecast, as we anticipate our initially low prices will allow us to sell all of our available advertising space. However, as we become an established retailer, we can begin selling our space for an increased pricing (annual pricing increase is shown in VII. Revenue Model).

Three Year Sales Forecast														Annual Sales Forecast	
SecondChance Foods														Fiscal Year Begins Jan-19	
12-month Sales Forecast for 2019															
	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Annual Totals	2020	2021
Price Bracket 1 Units Sold	14488	26533	29021	39202	39202	39202	39202	39202	42788	49532	42788	39202	440362	550000	680667
Sale price @ unit	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00		3	3
Price Bracket 1 TOTAL	43,464	79,599	87,063	117,606	117,606	117,606	117,606	117,606	128,364	148,596	128,364	117,606	1,321,086	1,650,000	2,042,001
Price Bracket 2 Units sold	6401	7901	7901	9901	11401	11401	11401	11877	12120	12620	13100	12620	128644	131580	136367
Sale price @ unit	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00		6	6
Price Bracket 2 TOTAL	38,406	47,406	47,406	59,406	68,406	68,406	68,406	71,262	72,720	75,720	78,600	75,720	771,864	789,480	818,202
Price Bracket 3 Units sold	1902	2577	3934	4534	4534	4534	4534	4534	4970	5370	4970	4534	50927	67542	96041
Sale price @ unit	12	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00		12	12
Price Bracket 3 TOTAL	22824	30,924	47,208	54,408	54,408	54,408	54,408	54,408	59,640	64,440	59,640	54,408	611,124	810,504	1,152,502
Shelf Advertisements Units Sold	8	12	14	16	16	16	16	16	16	16	16	16	178	192	192
Sale price @ unit	1,800.00	1,800.00	1,800.00	1,800.00	1,800.00	1,800.00	1,800.00	1,800.00	1,800.00	1,800.00	1,800.00	1,800.00		1,972	2,162
Shelf Advertisements TOTAL	14,400	21,600	25,200	28,800	320,400	378,624	415,104								
Shopping Cart Advert Units sold	5	8	11	13	14	15	16	16	16	16	16	16	162	192	192
Sale price @ unit	1,010.00	1,010.00	1,010.00	1,010.00	1,010.00	1,010.00	1,010.00	1,010.00	1,010.00	1,010.00	1,010.00	1,010.00		1,108	1,215
Cat 5 TOTAL	5,050	8,080	11,110	13,130	14,140	15,150	16,160	16,160	16,160	16,160	16,160	16,160	163,620	212,736	233,280
Marketing Info Center Units sold	3	4	4	4	4	4	4	4	4	4	4	4	47	48	48
Sale price @ unit	957	957	957	957	957	957	957	957	957	957	957	957		1,050	1,153
Cat 6 TOTAL	2,871	3,828	44,979	50,400	55,344										
Monthly totals: All Categories	127,015	191,437	221,815	277,178	287,188	288,198	289,208	292,064	309,512	337,544	315,392	296,522	3233073	3,891,744	4,716,433

Gross Profit is the Sales minus the cost of goods sold (CoGs). As the advertising revenue stream has no cost of production—because it is a service stream—only the markup revenue stream will have a measure of gross profit. Furthermore, to see how the gross profit is proportional, the gross profit margin (refer the equation below) is found. This figure is represented in a percentage value.

Pricing and forecasted units sold have already been established in the Revenue Forecast Model. However, to find Cost of Goods Sold, we divided the expected price of each bracket by the corresponding markup value (markup values established in The Revenue Model).

Product	Price	Units Sold	Sales	Cost of Goods Sold	Gross Profit
Price Bracket 1	3	440,362	1,321,086	687,269	633,817
Price Bracket 2	6	128,644	771,864	196,804	575,060
Price Bracket 3	12	50,927	611,124	259,802	351,322
Totals			2,788,620	1,143,875	1,560,199

Gross Profit Margin of Food Sales = 47.6%

$(\text{Gross Profit Margin} = \text{Sales}/\text{Gross Profit}) 1,560,199/2,788,620 = \mathbf{0.476}$ →

⁵ Jones, Frazer. "What's the Worst Month for Restaurant Sales – and How Can You Beat the Slump?" *Food | FDF World*, Laura Mullan,

⁶ Investopedia. "How Much Does a Costco Store Sell Each Year?" *Investopedia*, Investopedia, 18 July 2016,

VIII. Cost Structure



Customer Acquisition Costs:

Customer Acquisition Costs are the costs of gaining new customers through marketing. As all of our customer segments are individual customers, acquisition will focus solely on personal customers.

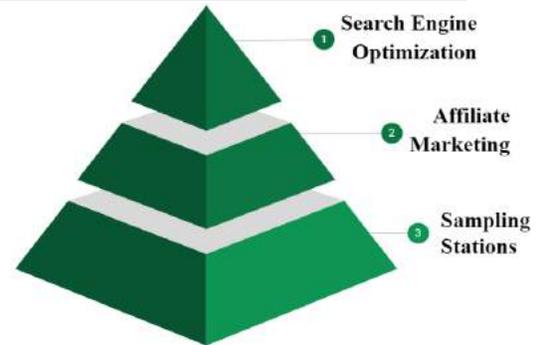
Brand Awareness through Search Engine Optimization (SEO):

We will produce online articles about SecondChance, which will be informative as well as eye-catching, to help bring awareness to our cause and our company. Every time an article is clicked, the SecondChance website will move up in the organic search rankings (the process of Search Engine Optimization). With enough clicks, when someone in the Chicago area searches “grocery store”, our website will be the highest page.

Amplified Word-of-Mouth through Affiliate Marketing:

This method of online marketing encourages customers to bring in other customers with monetary incentives. An affiliate will receive a code which is to be used by the new customers that they recruit. When the code is used, a discount is given to the affiliate. This method will promote word-of-mouth marketing to help acquire customers.

Familiarization of Quality through Sampling Stations: The only physical channel used to acquire new customers, sampling stations will publicize our brand while simultaneously limiting hesitancy to buy resold food. These volunteer-run stands will be located on Chicago Metropolitan street markets.



Pricing: Search Engine Optimization: SecondChance will create a website which includes an SEO (search engine optimization) system, which will have to be regularly maintained. To attract as many clicks as possible, SecondChance will have to produce weekly content. With the use of our white-hat SEO system SecondChance will rank high on the search results page.

CAC: Search Engine Optimization Cost							
Activity	Time Frame	Development Cost	Price Per Ad	# of Monthly Ads	Monthly Cost	Yearly Cost	3-Year Cost
SEO	2019-2022	260	-	-	720	8,640	26,180
Website	2019-2022	7,750 ⁷	-	-	165	4,380	20,890
Content	2019-2020	-	25	4	100	1,200	1,200
Totals	2019-2022	8,010	-	-	985	14,220	47,070

Affiliate Marketing: Affiliate Marketing will contain four features in which pricing will have to be taken into consideration: Google Pay per Click System (known as a PPC), Email Marketing, Development of the Affiliate Marketing System, and the costs of discounts given to Affiliates. We will gain affiliates by displaying ads which we pay for by how many clicks the ad gets (a PPC), along with emailing people in the Greater Chicago Metro area—with the use of the AWeber email marketing system.

CAC: Affiliate Marketing Costs							
Activity	Time Frame	Development Cost	Price Per Ad	# of Monthly Ads	Monthly Cost	Yearly Cost	3-Year Cost
Google PPC	2019-2022	8,700	1.25 ⁸	2,700	3,375	40,500	124,200
Email Marketing	2019-2022	3,490	-	-	1,099 ⁹	13,188	39,564
Affiliate System	2019-2022	2,960	-	-	900	10,800	34,700
Discount Costs	2019-2022	-	-	-	750	9,000	27,000
Totals	2019-2022	15,150	-	-	6,124	82,048	234,124

⁷ Hemraj, et al. “Definitive Guide - How Much Should A Website Cost You? (Dec 18).” *Best Website Builder Reviews for 2018*

⁸ “How Much Does Google Ads Cost?” *Online Advertising: Learn About Advertising Online*,

⁹ “AWeber Email Marketing Pricing | Affordable Email Marketing.” *AWeber*,

Sampling Stations: All the costs for sampling stations will be for physical costs. The stands' costs will include the building of the stands, the pamphlets, and the food samples given out at the stands. There will be 8 sampling stations and below displays breakdown of the costs. Pamphlet development will be outsourced to local advertising agency *Goda Advertising*, which charges developing and printing fees.

CAC: Sampling Stands							
Activity	Time Frame	Development Cost	Price Per Ad	# of Monthly Ads	Monthly Cost	Yearly Cost	3-Year Cost
Stands	2019-2020	2,600	-	-	80	960	3,560
Pamphlets	2019-2020	1,800 ¹⁰	0.07	8000	560	6,720	6,720
Food Samples	2019-2020	-	-	-	250	3,000	3,250
Totals	2019-2020	6,400	-	-	350	4,200	13,530

Out of our three methods of acquiring new customers, to develop a side-by-side comparison of efficiency, we must calculate Cost per Thousand Impressions (shortened to CPM). CPM is calculated by dividing the number of impressions, how many people see the advertisement, by the cost of the channel. The Search Engine Optimization system had a CPM of \$5.25, making it the most cost-efficient channel for customer acquisitions.

In total, our customer acquisition costs will add up to \$286,064.

Distribution Costs: As stated in Section VI, SecondChance Foods will enact an exclusive distribution policy grounded in technological efficiency through the programs MessageXChange and Electronic Data Exchange (EDI). Therefore, when considering distribution costs, it is critical to account not only for the tangible elements of product exchange but for this software as well. Taking into consideration the minimal distances covered by the trucks along with the amount of product they must move per day, we see it fitting to purchase five Peterbilt 389 semi-trucks for our four locations.

Activity	Means of Conducting Activity	Price per Unit	2019 Projected Total	3-Year Total
Transportation to Store	Peterbuilt 389 semi-truck	\$54,230/truck	\$271,150	\$379,610
Fueling Transportation	BP Gas Chicago	\$2.73/gallon	\$13,200	\$47,600
Handling of Products	X (employee position)	\$11/worker/hour	\$7,964	\$26,892
Efficiency Measures	MessageXChange and EDI	\$1,425/one-time installation	\$1,425	\$2,500 (allotting for maintenance)
Totals	N/A	N/A	\$293,739	\$456,602

Human Resource Costs: The SecondChance organizational structure will be a **centralized structure** (the decision-making will be made by a small group of people), and will consist of **three functional departments**. The first, the **Executive Department**, will consist of the three owners, who will have the power to make final decisions over all aspects of the company. The second, the **Management Department**, will handle the managerial functions of the products, stores, and employees. The third, the **Operational Department**, will run the four stores and perform all of the manual tasks. Our organizational structure, which will be constantly subject to change, is displayed in the following graphic representation.



¹⁰ "CONTACT US." *Goda Advertising* | Home,

SecondChance Foods' organizational structure is designed to have an annual payroll expense of \$1,436,000. The total salary burden, including government tax rates and company benefits will be \$454,874. The payment of all employees, as well as the payroll taxes and benefits are displayed in the following tables respectively.

SecondChance Employee Salaries					
Position	Hourly Rate	Hours Per Month	Monthly Payroll Expense	Annual Payroll Expense	Annual Payroll Expense (all workers)
3 Owners	N/A	N/A	\$6,250	\$75,000	\$225,000
4 Corporate Managerial Positions	\$33.85	160	\$5,416	\$65,000	\$260,000
2 Product Purchasers	\$31.25	160	\$5,000	\$60,000	\$120,000
4 Store Managers	\$26.04	160	\$4,167	\$50,000	\$200,000
4 Assistant Store Managers	\$22.40	160	\$3,583	\$43,000	\$172,000
4 Meat/Deli Assistants	\$16.20	150	\$2,430	\$29,160	\$116,640
12 Cashiers	\$14.20	150	\$2,130	\$25,560	\$101,040
12 Product Stockers	\$14.10	80	\$1,128	\$13,536	\$162,432
4 Custodians	\$14.20	40	\$568	\$6,816	\$27,264
8 Multi-Use Employees	\$13.60	40	\$544	\$6,528	\$52,224
Totals	<i>N/A</i>	<i>N/A</i>	<i>\$31,216</i>	<i>\$374,600</i>	<i>\$1,436,000</i>

SecondChance Employee Payroll Taxes and Benefits				
Position	Annual Payroll Expense	Cumulative Payroll Tax Rate	Cumulative Benefits Tax Rate	Total Salary Burden
3 Owners	\$225,000	10%	22%	\$72,000
4 Corporate Managerial Positions	\$260,000	10%	22%	\$83,200
2 Product Purchasers	\$120,000	10%	22%	\$38,400
4 Store Managers	\$200,000	10%	22%	\$64,000
4 Assistant Store Managers	\$172,000	10%	22%	\$55,040
4 Meat/Deli Assistants	\$116,640	10%	22%	\$373,245
12 Cashiers	\$101,040	10%	22%	\$323,323
12 Product Stockers	\$162,432	10%	20%	\$48,730
4 Custodians	\$27,264	10%	20%	\$8,180
8 Multi-Use Employees	\$52,224	10%	20%	\$15,668
Totals	<i>\$1,436,000</i>	<i>N/A</i>	<i>N/A</i>	<i>\$454,874</i>

Additional Costs:

Real Estate Costs: A large portion of SecondChance's fixed costs come from real estate. There will be four SecondChance grocery stores, and one of them will have a supplemental office space included. Each store is in one of our four strategically chosen locations (displayed in section III.) and will be leased for three years. The four locations are pictured to the right, with their location, price per square foot per year (\$/SF/Year), and picture. Each location is between 10,000 and 18,000 feet because our stores will be small format stores. The locations were chosen based on three factors: primarily, if it is located in the economically disadvantaged areas that we are targeting, secondly, if it has the proper utilities, space, and architectural framework to be a grocery store, and thirdly, if it is affordable. **We will lease these four locations for three years, which will cost a total of \$2,327,906.**

Set-up and Running Costs: Creating and operating the four stores will require many running and set-up costs. Set-up costs—the costs needed to bring the stores to life—include renovation, signage, lights and paintjobs. **Set-up costs will total up to be \$95,500.** Running costs—costs needed to keep the store running—will include product labels, utilities (water/electricity/ventilation/etc.), and electronic equipment (data and computing software). **Running costs will total up to be \$45,000 a year.**

SecondChance Properties



Old Town Location (with office space)
Square feet: 17,864
4801-4821 W Irving Park Rd
\$15/SF/Year



West Side Location
Square feet: 11,780
4716-4722 N Kedzie Ave
\$13.20/SF/Year



South Side Location
Square feet: 10,250
2804-2808 N Laramie Ave
\$14.80/SF/Year



Adams Park Location
Square feet: 14,875
3420 W Fullerton Ave
\$13.50/SF/Year

Fixed Assets: Store-based fixed assets include the checkout kiosks, shelves, bins, racks, refrigeration, shopping carts, and lounge furniture. Office-based fixed assets include furniture, computers, printers and office equipment. The table below displays SecondChance fixed assets and their depreciation schedules.

SecondChance Foods Fixed Asset and Depreciation Schedule For the Period Ending January 2019								
Fixed Asset			Acquisition		Life	Salvage	Annual Straight Line Depreciation	
Number	Class	Description	Date	Cost (\$)	Years	Value	Value	Expense
1	Store Equipment	16 Checkout kiosks/16 computers	12/26/18	1,350	8	700	650	163
2	Store Hardware	Shelves/bins/racks	12/26/18	14,500	6	750	13,750	3,438
3	Refrigeration	32 Refrigerators/16 freezers	12/26/18	155,000	6	60,000	95,000	23,750
4	Customer Needs	140 shopping Carts	12/28/18	14,800	6	6,600	8,200	2,050
5	Lounge Furniture	16 Tables/ 48 chairs	12/28/18	4,000	6	2,100	1,900	475
Total Store Fixture and Utilities				189,650			119,500	29,875
6	Office Furniture	2 Tables/ 18 chairs/ 9 desks	12/28/18	2,900	6	1,500	1,400	350
7	Office Equipment	9 Dell Computers	12/29/18	5,400	6	2,500	2,900	725
8	Office Equipment	Epson Printer/Scanner	12/29/18	\$1,200	6	400	800	200
Total Office and Lounge Equipment				9,500			5,100	1,275
Total All Fixed Assets				199,150				31,150

X. Detailed Financials

A. Projected Income and Expenses

1. Projected Income Statements by month for the first year's operation

SecondChance Forecasted Statement of Income For the years ended December 31, 2019, 2020 & 2021																	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals				
													2019	2020	2021		
Operating Revenue																	
Price Bracket 1 Stream	\$ 43,464	\$ 79,599	\$ 87,063	\$ 117,606	\$ 117,606	\$ 117,606	\$ 117,606	\$ 117,606	\$ 128,364	\$ 148,596	\$ 128,364	\$ 117,606	\$ 1,321,086	\$ 1,650,000	\$ 2,042,001		
Price Bracket 2 Stream	\$ 38,406	\$ 47,406	\$ 47,406	\$ 59,406	\$ 68,406	\$ 68,406	\$ 68,406	\$ 71,262	\$ 72,720	\$ 75,720	\$ 78,600	\$ 75,720	\$ 771,864	\$ 789,480	\$ 818,202		
Price Bracket 3 Stream	\$ 22,824	\$ 30,924	\$ 47,208	\$ 54,408	\$ 54,408	\$ 54,408	\$ 54,408	\$ 54,408	\$ 59,640	\$ 64,440	\$ 59,640	\$ 54,408	\$ 611,124	\$ 810,504	\$ 1,152,502		
Shelf Advertisements Stream	\$ 14,400	\$ 21,600	\$ 25,200	\$ 28,800	\$ 28,800	\$ 28,800	\$ 28,800	\$ 28,800	\$ 28,800	\$ 28,800	\$ 28,800	\$ 28,800	\$ 320,400	\$ 378,624	\$ 415,104		
Shopping Cart Ads Stream	\$ 5,050	\$ 8,080	\$ 11,110	\$ 13,130	\$ 14,140	\$ 15,150	\$ 16,160	\$ 16,160	\$ 16,160	\$ 16,160	\$ 16,160	\$ 16,160	\$ 163,620	\$ 212,736	\$ 233,280		
Marketing Info Centers Streams	\$ 2,871	\$ 3,828	\$ 3,828	\$ 3,828	\$ 3,828	\$ 3,828	\$ 3,828	\$ 3,828	\$ 3,828	\$ 3,828	\$ 3,828	\$ 3,828	\$ 44,979	\$ 50,400	\$ 55,344		
Total Operating Revenue	127,015	191,437	221,815	277,178	287,188	288,198	289,208	292,064	309,512	337,544	315,392	296,522	3,233,073	3,891,744	4,716,433		
Cost of Goods Sold:																	
Cost of Goods Sold Price Bracket 1	17,480	44,222	48,368	58,670	58,670	58,670	58,670	58,670	71,313	82,553	71,313	58,670	687,269	\$ 687,269	\$ 755,996		
Cost of Goods Sold Price Bracket 2	11,343	13,869	15,448	16,206	16,206	16,206	16,206	16,206	18,635	21,638	18,635	16,206	196,804	196,804	216,484		
Cost of Goods Sold Price Bracket 3	7,026	11,462	15,462	23,604	23,604	23,604	23,604	23,604	27,204	29,820	27,204	23,604	259,802	259,802	285,782		
Total Cost of Goods Sold	35,849	69,553	79,278	98,480	98,480	98,480	98,480	98,480	117,152	134,011	117,152	98,480	1,045,395	1,143,875	1,258,263		
Gross Profit																	
Gross Profit Price Bracket 1	25,984	35,377	38,695	58,936	58,936	58,936	58,936	58,936	57,051	66,043	57,051	58,936	633,817	962,731	1,286,005		
Gross Profit Price Bracket 2	27,063	33,537	31,958	43,200	52,200	52,200	52,200	55,056	54,085	51,082	59,965	59,514	575,060	592,676	601,718		
Gross Profit Price Bracket 3	15,798	19,462	31,746	30,804	30,804	30,804	30,804	30,804	32,436	34,620	32,436	30,804	351,322	550,702	866,720		
													1,560,199	2,106,109	2,754,443		
Total Gross Profit	91,166	121,884	142,537	178,698	188,708	189,718	190,728	193,584	192,360	203,533	198,240	198,042	2,187,678	2,747,869	3,458,171		
	72%	64%	64%	64%	66%	66%	66%	66%	62%	60%	63%	67%	68%	71%	73%		
Operating Expenses																	
Payroll	119,667	119,667	119,667	119,667	119,667	119,667	119,667	119,667	119,667	119,667	119,667	119,667	1,436,004	1,479,084	1,523,457		
Payroll taxes and benefits	37,906	37,906	37,906	37,906	37,906	37,906	37,906	37,906	37,906	37,906	37,906	37,906	454,872	468,518	482,574		
Distribution	24,478	24,478	24,478	24,478	24,478	24,478	24,478	24,478	24,478	24,478	24,478	24,478	293,739	155,143	7,120		
Lease/ Triple net fees	5,450	5,450	5,450	5,450	5,450	5,450	5,450	5,450	5,450	5,450	5,450	5,450	65,400	67,362	69,383		
Interest Expense	3,634	3,593	3,552	3,428	3,470	3,428	3,386	3,344	3,301	3,219	3,216	3,173	40,867	34,607	27,895		
Taxes and Licensing	2,540	3,829	4,436	5,544	5,744	5,764	5,784	5,841	6,190	6,751	6,308	5,930	64,661	77,835	94,329		
Depreciation	2,596	2,596	2,596	2,596	2,596	2,596	2,596	2,596	2,596	2,596	2,596	2,596	31,152	31,152	31,152		
Insurance	975	975	975	975	975	975	975	975	975	975	975	975	11,700	12,051	12,413		
Office Supplies	195	195	195	195	195	195	195	195	195	195	195	195	2,340	2,410	2,483		
Utilities	9,167	9,167	9,167	9,167	9,167	9,167	9,167	9,167	9,167	9,167	9,167	9,167	110,004	113,304	116,703		
Advertising	7,946	7,946	7,946	7,946	7,946	7,946	7,946	7,946	7,946	7,946	7,946	7,946	95,352	98,213	101,159		
Repairs	75	75	75	75	75	75	75	75	75	75	75	75	900	927	955		
Professional Fees	7,840	8,624	9,486	10,982	10,459	10,982	11,531	12,107	12,713	13,348	14,016	14,717	135,783	139,856	144,052		
Miscellaneous	187	187	187	187	187	187	187	187	187	187	187	187	2,244	2,311	2,381		
Total Operating Expenses	222,656	224,688	226,117	227,697	228,315	228,816	229,343	229,935	230,846	231,960	232,182	232,462	2,745,018	2,682,774	2,616,054		
Income/ Loss before tax	(131,490)	(102,804)	(83,580)	(48,999)	(39,607)	(39,098)	(38,615)	(36,351)	(38,486)	(28,427)	(33,942)	(34,420)	(557,340)	65,095	842,117		
Tax Expense	(26,298)	(20,561)	(16,716)	(9,800)	(7,921)	(7,820)	(7,723)	(7,270)	(7,697)	(5,685)	(6,788)	(6,884)	(111,468)	13,019	168,423		
Net Income [Loss]	\$ (105,192)	\$ (82,243)	\$ (66,864)	\$ (39,199)	\$ (31,685)	\$ (31,278)	\$ (30,892)	\$ (29,080)	\$ (30,789)	\$ (22,742)	\$ (27,153)	\$ (27,536)	\$ (445,872)	\$ 52,076	\$ 673,693		
	-83%	-43%	-30%	-14%	-11%	-11%	-11%	-10%	-10%	-7%	-9%	-9%	-14%	1%	14%		

2. Projected Cash Flow by Month for the First Year's Operation

SecondChance Forecasted Statement of Cash Flows For the years ended December 31, 2019, 2020 & 2021															
	2019												Annual		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2020	2021	
Beginning Cash Balance	\$ -	\$ 581,267	\$ 494,592	\$ 423,255	\$ 379,542	\$ 343,301	\$ 307,425	\$ 271,893	\$ 238,131	\$ 202,618	\$ 175,069	\$ 143,106	\$ 110,674	\$ 131,051	
Cash Inflows:															
Owner Funds	267,000														
Loan Proceeds	623,000														
Sales	127,015	191,437	221,815	277,178	287,188	288,198	289,208	292,064	309,512	337,544	315,392	296,522	3,891,744	4,716,433	
Total Cash Inflows	1,017,015	191,437	221,815	277,178	287,188	288,198	289,208	292,064	309,512	337,544	315,392	296,522	3,891,744	4,716,433	
Available Cash Balance	1,017,015	772,704	716,407	700,433	666,730	631,499	596,633	563,957	547,643	540,162	490,461	439,628	4,002,418	4,847,484	
Cash Outflows:															
Equipment Purchases	189,650														
Furniture and Fixtures	9,500														
Inventory Purchases	35,849	69,553	79,278	98,480	98,480	98,480	98,480	98,480	117,152	134,011	117,152	98,480	1,143,875	1,258,263	
Payroll	119,667	119,667	119,667	119,667	119,667	119,667	119,667	119,667	119,667	119,667	119,667	119,667	1,479,084	1,523,457	
Payroll taxes and benefits	37,906	37,906	37,906	37,906	37,906	37,906	37,906	37,906	37,906	37,906	37,906	37,906	468,518	482,574	
Distribution	24,478	24,478	24,478	24,478	24,478	24,478	24,478	24,478	24,478	24,478	24,478	24,478	125,143	37,120	
Lease/Trip net fees	5,450	5,450	5,450	5,450	5,450	5,450	5,450	5,450	5,450	5,450	5,450	5,450	67,362	69,383	
Taxes and Licenses	2,540	3,829	4,436	5,544	5,744	5,764	5,784	5,841	6,190	6,751	6,308	5,930	77,835	94,329	
Insurance	975	975	975	975	975	975	975	975	975	975	975	975	12,051	12,413	
Office Supplies	195	195	195	195	195	195	195	195	195	195	195	195	2,410	2,483	
Utilities	9,167	9,167	9,167	9,167	9,167	9,167	9,167	9,167	9,167	9,167	9,167	9,167	113,304	116,703	
Advertising	7,946	7,946	7,946	7,946	7,946	7,946	7,946	7,946	7,946	7,946	7,946	7,946	98,213	101,159	
Repairs	75	75	75	75	75	75	75	75	75	75	75	75	927	955	
Professional Fees	7,840	8,624	9,486	9,961	10,459	10,982	11,531	12,107	12,713	13,348	14,016	14,717	139,856	144,052	
Miscellaneous	187	187	187	187	187	187	187	187	187	187	187	187	2,311	2,381	
Tax Expense	(26,298)	(20,561)	(16,716)	(9,800)	(7,921)	(7,820)	(7,723)	(7,270)	(7,697)	(5,685)	(6,788)	(6,884)	13,019	168,423	
Subtotal	425,127	267,491	282,531	310,230	312,807	313,452	314,118	315,204	334,404	354,471	336,733	318,289	3,743,909	4,013,693	
Other Cash Outflows:															
Loan Principal	6,987	7,028	7,069	7,110	7,151	7,194	7,236	7,278	7,320	7,363	7,406	7,492	92,851	99,563	
Loan Interest	3,634	3,593	3,552	3,551	3,470	3,428	3,386	3,344	3,301	3,259	3,216	3,173	34,607	27,895	
Subtotal	10,621	10,621	10,621	10,661	10,621	10,622	10,622	10,622	10,621	10,622	10,622	10,665	127,458	127,458	
Total Cash Outflows	435,748	278,112	293,152	320,891	323,428	324,074	324,740	325,826	345,025	365,093	347,355	328,954	3,871,367	4,141,151	
Ending Cash Balance	\$ 581,267	\$ 494,592	\$ 423,255	\$ 379,542	\$ 343,301	\$ 307,425	\$ 271,893	\$ 238,131	\$ 202,618	\$ 175,069	\$ 143,106	\$ 110,674	\$ 131,051	\$ 706,334	

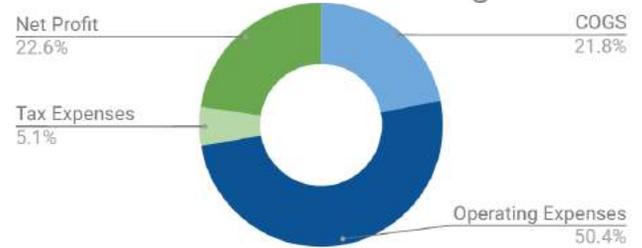
3. Projected three-year plan

The following visual represents the SecondChance Three-Year Plan. It includes projected financial summaries of our business over the next three years, based off of the financial statements from Section X, 1-3.

SecondChance 3-Year Plan

SecondChance Foods anticipates its profits to increase substantially due its much needed role in Chicago. After familiarizing itself with low-income communities, SecondChance will become a staple in the lives of many customers. Furthermore, it will offer the lowest priced food in Chicago, while serving high quality, healthy products.

2021 Income Percentages



Summarized Income Statement



Sales Revenue Streams



4. A brief narrative description of the planned growth of the proposed business, including financial resources and needs

SecondChance anticipates growth from -24% to 14% over the course of the three-year projection. This high expectation is due to several factors. One is the small scope of the business in its beginnings (smaller operations are more likely to experience greater growth percentages than larger companies). The main reason for this growth is the behavioral concept of **loyalty shopping**, where customers shop at a store because they have always shopped there. As time progresses, SecondChance’s highly competitive prices will draw in customers from competing grocery stores, thus catalyzing growth. We expect this exponential growth to stabilize after three years of operation. We are forecasted to sell **578,954 food items** of varying prices; these three revenue streams comprise approximately 78% of total revenue. These streams will benefit the most from loyalty shopping, and thus grow more than the advertising streams over the three-year period (**54.8% increase in revenue over from 2019-2021 in comparison to the 33.9% growth from the advertising streams**).

In our organizational revenue stream, which comes from selling advertising space, we expect to sell 384 spaces of varying types. This stream will make up 15% of the total revenue. As with most businesses, profit will be initially low, yet expenses will be comparable to later parts of the period. Therefore, initial funds must be obtained to keep the business operating.

B. Projected plan to meet capital needs

1. Personal and Internal Sources

Earnings, short-term and long-term borrowing, long-term equity

SecondChance’s capitalization will be derived from a calculated mix of funding from the owners and a long-term loan from the bank. Emmet Bowler, Hayden Miller, and Josh Wolters—as owners of SecondChance—will collectively pledge \$267,000 (\$89,000 each). These funds will result from outreach to the capital of friends and family along with personal savings. These sources will give SecondChance funds without the extra expenses of a bank loan.

2. External Sources

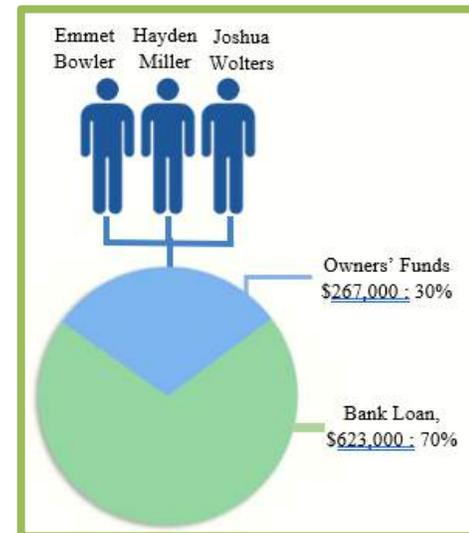
To obtain funds crucial for operations, we will request a loan for \$623,000. The loan will be entirely paid back after 6 years with an interest rate of 7.0%.

3. Repayment Plans

Only the bank loan must be repaid as retained earnings (divided evenly between the owners) will eventually make us back more money than we invested. SecondChance will generate enough revenue so that all expenses (including loan principle and loan interest) will be able to be paid even with potential problems that may arise.

5. Plan to repay borrowed funds or provide return on investment to equity funds

Over the next 6 years, SecondChance Foods will pay off the our \$623,000 loan to you, the bank. We will pay \$10,622 payments each month, beginning January 2019 and ending December 2024. Over the first three years, we expect to pay a total of \$103,368 in interest expense. The first year, we will pay \$86,591 to the principal, and by the last year we will pay \$124,470. Our Amortization Schedule and Payment Schedule respectively are depicted in the following tables.



SecondChance Foods – Amortization Schedule			
Loan Amount	Interest Rate	Term	Start Date
\$623,000	7.0%	6 Years	Jan 2017
Summary of Payments and Interest			
Monthly Payment will be		\$10,622	
Total Interest Paid Over Life of Loan		\$141,750	
Interest Paid in 2019		\$40,867	
Interest Paid in 2020		\$34,607	
Interest Paid in 2021		\$27,895	

SecondChance Foods Payment Schedule				
Year	Annual Principal Paid	Annual Interest Paid	Total Interest Paid	Loan Balance
Begin	\$0	\$0	\$0	\$623,000
2019	\$86,591	\$40,867	\$40,867	\$536,408
2020	\$92,851	\$34,607	\$75,474	\$443,557
2021	\$99,563	\$27,895	\$103,368	\$343,993
2022	\$106,761	\$20,697	\$124,066	\$237,232
2023	\$114,478	\$12,980	\$137,046	\$122,754
2024	\$123,470	\$3,988	\$141,750	\$0
Totals	N/A	N/A	\$141,750	\$0

A monthly payment of \$10,622 falls in line with our projected cash flow and, thus, we expect to be able to make our payments unflinchingly. It will allow us to repay the loan in just 6 years, which costs significantly less than if we if we pay over the course of a greater number of years.

X. Key Metrics

Routine evaluation is vital to the execution of an ambitious venture such as entrepreneurship. Thus, we must set in place metrics to establish benchmark for SecondChance's development.

SecondChance's Financial Metrics				
Key Metrics	Purpose	Calculation	Benchmark	How to Improve
Profitability (Income Statement.):				
Revenue	Monitor market acceptance and share	SP X Quantity sold	2019: 2.5 million	Reevaluate marketing strategies and invest more into customer acquisition
Gross profit margin (%)	Measure profit from product sales and our ability to cover operating expenses	(Rev - COGS) / Rev	Industry: 21.5% 2019: 53%	Increase sales price Increase quantity sold Buy in bulk to negotiate lower costs
Net profit	Measure overall performance including operating expenses	Gross Profit – Operating Expenses – Interest - Taxes	Industry: 5.6% 2020: 1.9%	Gross Profit strategies above Eliminate nonessential operating expenses while minimizing taxes and interest expenses
Efficiency (Balance Sheet):				
Inventory turns	Measure how fast inventory is being sold	COGS / Average Inventory	Industry: 9% 2019: 11.6%	Teach employees Standing-Room-Only selling techniques to move product faster and invest more in advertising channels.
Revenue by employee	Measures the efficiency of employees to generate Sales	Revenue / # of employees	71K/ employee 67.6K/ employee	Teach employees selling techniques and invest more in advertising channels.
Liquidity:				
Working capital ratio	Reveals if there are enough short-term assets	Current assets / current liabilities	2 : 1	Minimize A/P and short-term loans while selling fixed assets
Net cash flow	Shows cash balance changes over time	Cash in – cash out	2019 \$143K 2020 (\$11K) 2021 \$1.1 M	Limit nonessential expenses and negotiate lower fees for other expenses while working to improve revenue.
Key Metrics	Purpose	Calculation	Benchmark	How to Improve
Customer:				
Acquisition Cost	The average cost of gaining a new customer	See Section VIII A	\$9.03 per customer	Invest more in PPC's and less in sampling stations
Satisfaction score	Indicates opinions on the products/service	Sated customers/ Starting customers	>90%	Hold routine customer service seminars and ensure food quality
Employees:				
Staff turnover	Shows how satisfied employees are with working conditions	Employee separations/ # of customers	< 15%	Increase benefits for employees who work for multiple years and better emphasize a positive work atmosphere

Industry Metrics	Purpose	Calculation	Benchmark	How to Improve
Retail Conversion Rate	To measure how profitable store traffic	# of paying customers / number of visitors	Industry: 4% 2019: 6.5%	Establish a welcoming atmosphere to develop a good customer rapport.

SecondChance will utilize these quantitative goals to understand the effectiveness of the business model and, if unsuccessful, we will know what steps must be taken to counteract the issues. The detail of these Key Metrics is crucial, as without detail it is difficult to understand where successes/failures are coming from.

XI. Competitive Advantage

SecondChance Foods distinguishes itself as a revolutionary social enterprise through a plethora of advantageous business operations, each implemented with an overarching mission to alleviate hunger among Chicagoans and to conserve the environment. SecondChance Foods penetrates the current Chicago grocery market through targeting a vastly underrepresented customer base: the approximately 150,000 residents of the city who earn unlivable wages but still fail to qualify for government issued food stamps. They are the people who are unable to shop at typical grocery stores but cannot turn to food banks. Given SecondChance’s affordable pricing strategies—which will save customers an average of roughly 42% of their money compared to other grocery chains—SecondChance Foods will **invariably penetrate the market by providing the currently nonexistent medium between mainstream grocers and food banks in Chicago**, and will ultimately develop customer loyalty. Additionally, SecondChance Food’s reselling structure and business partnership with Costco will ensure a mutualistically beneficial relationship. Because Costco would (1) reduce waste control expenses (2) increase profit, and (3) ultimately improve their environmentally friendly public image. As for SecondChance, our partnership with Costco would enable us to generate revenue through our reselling methods, as well as providing a foundational, reliable supplier. Overall, SecondChance Foods not only benefits the lower middle class by providing them affordable, nutritious foods, but also benefits Costco. Lastly, SecondChance’s own Zero Waste policy, innovative advertising initiatives, and technologically savvy distributive efficiency combine to generate a modernized grocery store with a strong social and environmental conscious, factors that—in today’s world especially—optimize business success.



Comparative Advantage: Cheapest Product Costs



Mutually Beneficial Relationship with Supplier, Costco



Unparalleled EcoBranding from ZeroWaste Model

XII. Conclusion

We firmly believe that, if provided a loan of \$623,000 which will be repaid incrementally over 6 years at 7% interest, SecondChance Foods will prosper as a revolutionary start-up in the Chicago metropolitan area. Given the abundance of advantageous resources at our disposal—both internal and external—SecondChance Food will invariably increase profitability and expand our operational scope, capitalizing on new venture opportunities within our niche sphere. The following factors, which are enumerated in the graphic below, will contribute greatly to SecondChance Foods’ future prosperity.

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XIV. Appendix



SWOT Analysis

	Strengths	Weaknesses
Internal Factors	People: A transparent hierarchy of jobs reveals superiority in intra-company conflicts	People: Grocery stores require many employees, making it difficult to properly instruct everyone
	Resources: SecondChance has a competitive advantage with incredibly low purchasing costs.	Resources: Store locations have finite storage space, eventually stopping company growth
	Innovation and Ideas: Business model is revolutionary in its combination of grocery and second-hand stores	Innovation and Ideas: Having 3 only three Chief Executives limits potential for innovative thinking
	Marketing: Marketing tactics address all three diverse segments with its use of varying channels	Marketing: High initial costs limit the opportunity to invest in marketing
	Operations: Old town location has designated office space and every location has large storage space	Operations: Food producers are completely removed from SecondChance’s contact
	Finance: Owners have great funds to tap into, thus minimizing loan principal	Finance: To satisfy operations, a loan with interest expense must be requested from the bank
	Opportunities	Threats
External Factors	Political: American government often gives tax breaks for environmentally-friendly social enterprises	Political: FDA has placed many regulations on selling foods on the day of expiration
	Economics: US domestic economy is expanding, giving people more money to spend on groceries	Economics: Strong economy often causes rises in prices—resulting in higher CoGs
	Social: Environmentalism is increasing in America, making people more likely to buy from a ZeroWaste company	Social: There is stigma against purchasing resold food due to niche instances of poor food quality
	Technological: Online purchasing systems and strong infrastructure allows for rapid distribution	Technological: Products have to be manually shelved—increasing distribution time
	Legal: FDA allows for commercial reselling of foods as long as supplier meets the administration’s regulations	Legal: Food poisoning outbreaks would leave SecondChance entirely liable to a lawsuit
	Environmental/Ethical: Buying from a regular grocery store costs approximately \$700 for two people ¹¹ , a cost that many people cannot afford, giving us a competitive advantage.	Environmental/Ethical: There is an ethical dilemma concerning what foods we decide to sell and what foods we decide are not up to standard.

¹¹ Pinola, Melanie. “How Do I Figure Out My Monthly Food Budget?” *Lifehacker*, Lifehacker.com, 24 June 2013,