

## Sample Business Plan: YOGURT LAND\*

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# Yogurt Land Summary Business Plan

## Executive Summary

Yogurt Land is a self-service retail yogurt shop concept and has long-term presence plans in the Texas market, including Dallas, Houston, Austin and San Antonio. Along with existing investment capital and an extensive industry expertise, the founding members of Yogurt Land are passionate about making our yogurt concept a phenomenal success in the State of Texas beginning with our corporate presence in Austin, Texas.

Immediately Yogurt Land is looking to bring Frozen Yogurt Desserts to the San Antonio market where the concept of self-service and its unique product lines are currently in the beginning stage of market penetration. The company's initial offerings will be a self-service store where the customer can choose from a large variety of flavors and toppings. Through selective marketing we intend to create a loyal customer base that will see Yogurt Land as a high-class, yet affordable Frozen Yogurt Shop with a quality product offering.

We predict our first year sales will reach approximately \$480,000, and will climb to over \$600,000 by the end of the second year. According to our market research, these sales should be realistically attainable by even a start-up Frozen Yogurt Store. Our overall financial model is conservative and it emphasizes long-term opportunities in the current local market.



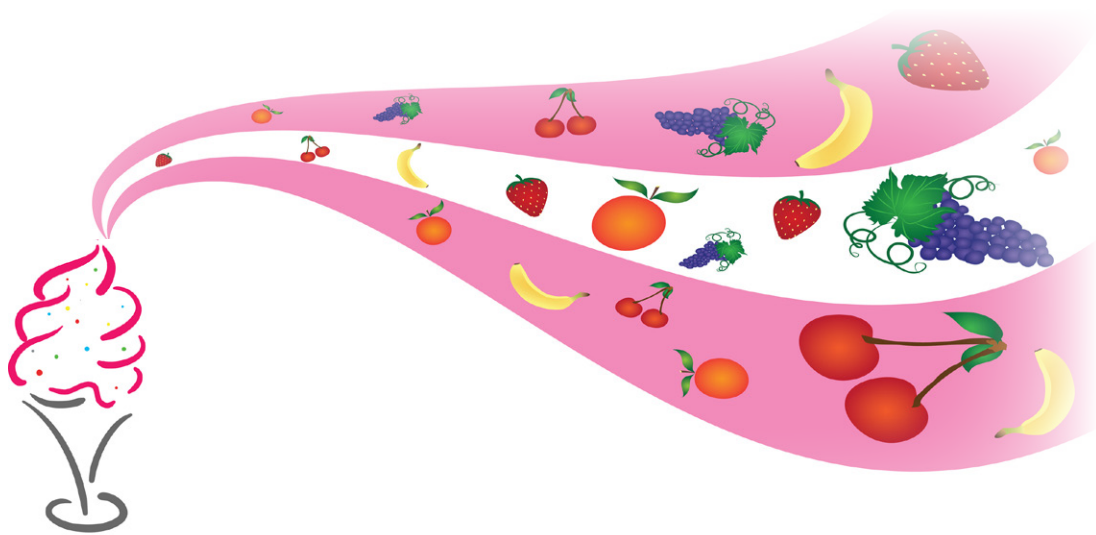
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## Mission

To create the finest quality natural frozen yogurt product with a commitment to incorporating the freshest and richest ingredients into a world class product;

To meet the highest standards of excellence with superb service and product offerings in a friendly, sparkling, and soothing atmosphere;

To create an enlightening experience in which an entire family can enjoy additional bonding time away from home;

To become a true Fourth Place after home, school and church for school-aged children and a true Fourth Place after home, work and church for adults;

To relentlessly seek out and proactively respond to the changing needs of our customers.

## Objectives

The objectives of Yogurt Land are to:

- Achieve more than \$480,000 in sales during the first year of operation through community-based fund-raising and social media based marketing;
- Increase annual sales in the second year by 25% or more over the initial year;
- Invest in marketing to target customers within 3-5 miles of our store and raise consumer awareness of our healthy products, unique flavors and a wide choice of toppings compared to traditional full-service frozen yogurt stores;
- Establish the business as the premier Frozen Yogurt Store in Texas.

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## Keys to Success

Yogurt Land's keys to success will include:

1. Presenting the highest level of quality achievable in its product line;
2. Growing and maintaining relationships with customers and the community to generate repeat sales while constantly adding new ones;
3. Allocating a significant and consistent budget in grass roots marketing;
4. Innovating new product offerings that will differentiate us from competition.

## Company Summary

Yogurt Land will purchase our premium frozen yogurt and toppings from select distributors with whom our members have had direct purchasing relationships for the best quality available in the marketplace. We will feature up to sixteen flavors on any given day, plus we will rotate other flavors on different days.

The frozen yogurt base will be made available into approximately 50 various flavors. The yogurt will then be frozen in a specialty machine (soft-serve dispenser). It will then be ready to be self-served by the customer.

The finished products will be sold from our selected retail outlets in Austin, San Antonio, Dallas and Houston and other targeted locations throughout Texas. We have chosen these locations since it meets our criteria (set forth below) with appropriate levels of TI to be allocated to our business leasehold improvement costs. This will serve to help reduce costs associated with store development.

- Optimum size: 1,200-1,800 square feet.
- Traffic count: A minimum of 50,000 daily vehicle counts are preferred.
- Demographics: Typically 75K-100K people in a three mile radius.
- Parking: Ideally the site will have clearly visible parking in excess of 10 spaces.

Our customers are primarily people ages 18-35, and families who have teenaged children. These individuals seek out healthy but flavorful sweet treats. Yogurt Land Frozen Yogurt will be organized as a closely held S-Corp or LLC with a majority of the ownership retained by the partners/operators.

## Products

Yogurt Land will sell only premium fresh-made frozen yogurt. Frozen yogurt is a natural and wholesome frozen dairy and non-dairy product. It differs from ice cream and gelato in taste, texture and health benefits. Customers can choose their own flavors of frozen yogurt through self-serve (original tart, vanilla, chocolate, strawberry, mango, peach, pomegranate, raspberry, blueberry and many more) and then choose their own toppings (over 50 toppings offered daily). They can enjoy their desserts in a relaxing atmosphere or, take it home, or to their office.

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## What is Frozen Yogurt?

- It naturally contains little or no fat, less sugar, and fewer calories compared to ice cream;
- Boosts the immune system;
- Is a good source of nutrients such as protein, potassium, B vitamins thiamine, riboflavin, B6 and B12;
- Contains live, active cultures that replenish and maintain good bacteria, which support the body's digestive system;
- Packed with calcium that maintains healthy bones and teeth and helps in the prevention of osteoporosis;
- Encourages beneficial metabolic effects;
- Aids in managing lactose intolerance.

## Market Analysis Summary

The markets we will engage in are Dallas, San Antonio, Houston and the Austin area and eventually throughout the suburbs of Texas. The overall age demographics of the population break down as follows:

- 8% over 65
- 15% between 45 and 64
- 32% between 25 and 44
- 22% between 18 and 24
- 23% of the population is under 18

Our local market has a median annual household income of roughly \$70,000 and 75% of the population lives in single unit structures (houses). These numbers tell us that we are situated in a relatively educated, affluent area, in a destination area of town.

Within this population, we are focusing on two separate groups with different needs: 18-24 year olds and families – young adults (25-35) with children under 13.

18-24 year olds have disposable incomes, which they tend to spend on immediate gratification items, especially when those products have a prestige or individuality value. We will also target families; our store can offer them family bonding time for approximately \$15, versus \$30 to \$40 for dinner or a movie. In both of these groups, we will aggressively target young women, who tend to be more brand loyal in terms of food choices, and often turn to indulgence foods in times of stress or celebration.

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## Industry Analysis

The frozen dessert industry experienced sales of more than \$22.7 billion in 2010, with \$15 billion of that on “away from home desserts.”

The frozen dessert market was expected to grow by over 10 percent each year through 2015. There are existing competitors in the community. Each store has a unique product; however, we are fully aware of shortcomings and challenges that face our competitors within the Texas marketplace. Yogurt Land will feature our unique self-serve frozen yogurt that will not only overcome our challenges from competitors but also enable us to differentiate our product from similar products currently available in the marketplace. The following is a breakdown of the ice cream/frozen yogurt industry on a national basis:

## Consumption

- Total U.S. production of ice cream and related frozen desserts in 2010 amounted to more than 1.97 billion gallons, which translates to about 25 quarts per person. Source: USDA
- In 2010, total U.S. sales of ice cream and frozen desserts reached \$22.7 billion. Of that total, \$15 billion was spent on “away from home” frozen dessert purchases (scoop shops, food service and other retail sales outlets). Source: 2010 Latest Scoop
- Ice cream and related frozen desserts are consumed by more than 90% of households in the United States.

## Production

- The United States leads the world in annual production of ice cream and related frozen desserts, at more than 1.97 billion gallons in 2010. Source: USDA

## Sales

- Based on supermarket statistics in 2010, ice cream volume sales by quality segment were: super premium (3.5%), premium (51.5%) and regular (45%). Source: IRI

## Trends

- In recent years, the ice cream and frozen dessert industry has seen significant growth.
- Many ice cream manufacturers have used specialty shops in recent years as a way to increase profits. These shops allow businesses to charge more for their product than selling wholesale to grocery stores.
- Manufacturers have developed lines of premium and super-premium products that have significantly higher profit margins than standard ice cream products.
- In recent years, there has been a significant move towards allowing customers to create their own product combinations. Customization allows customers to make the product more personal and tailored to their specific tastes.

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## Competitors

Yogurt Land will have minimal direct competitors in the Austin area where it commands more than 70% of market share. The other 30% market share is dominated by 2-3 local brands that use something other than natural and premium ingredients in their yogurt, as they are referred to as “powder-based yogurt”. Our business concept and marketing approach is also entirely different than the other stores.

## Strategy and Implementation Summary

Yogurt Land will succeed in Texas market by selling a unique, fresh, high quality product that exceeds the customer expectations. We will focus on the local market, targeting two specific market segments, in an attempt to achieve the best reputation in our segment. We will strive to increase brand awareness among our target market during our first year of operation as a way to become part of their evoked set. When a member of our target market decides they want a frozen treat, we want to be the first name they think of.

Our most important competitive edge is our ultra-premium quality of product offerings along with a self-serve approach, the combination of which is not available in our local market. Our goal is to maintain product consistency so that every time a customer comes into our store, they receive the same high quality, great tasting frozen treat.

However consumers will only know how great our products are when they come in and sample them!

Once a customer has walked in the door of our shop, he or she has probably already decided to purchase a dessert. However, the ambience, clarity of signage, quality of service, and product quality determine whether that choice will be repeated. Our marketing strategy is focused on the first task - getting our customers in the door, any way we can. Our sales strategy is focused on making their experience so enjoyable that they return again and again, bringing friends and relatives with them.

## Competitive Edge

Yogurt Land has two competitive edges:

- Ultra-premium, natural no/low fat, no/low sugar and low calorie frozen desserts;
- Self-serve to mix and match to the customer's liking.

Both of these selling points will help us to achieve our overall goals of a steady customer base with repeat sales. Our focus on personalized attention to our customers, and involvement in local events and clubs, will set us apart from our competition.

## Marketing Strategy

Yogurt Land will use multiple methods to approach its target markets. Since our most difficult task will be attracting customers for that first tasting, we have a two-tiered approach. First, an elaborate social media based marketing campaign to create customer awareness and generate trial. This will include free samplings and deep discount coupons at our “Grand Opening”. The initial cost of this offer will be more than offset by repeat sales. After this initial campaign, our marketing strategy will focus on our two target markets separately.

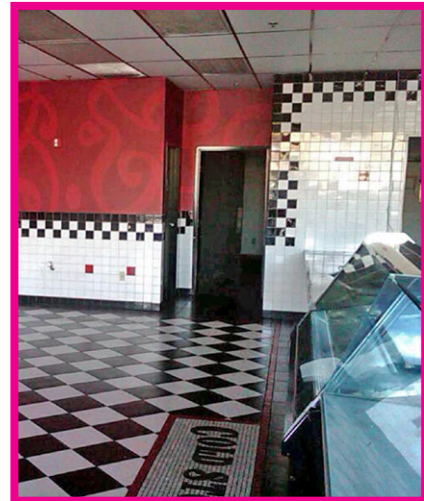
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For 18-35 year olds, we will be doing a mass mailing targeting the residents in the community by their demographics. To reach the families more effectively, we plan to sponsor events and help out with local schools and after-school activities. Such plans include: sponsoring a little league team; offering a regular fundraising event; tasting and tour of the shop to elementary/middle/high school students as well as all the daycare center teachers/ children; and giving coupons and promotional information to the after-school activity centers and events to bring their families in. Also included in the marketing plan is to give back to the school district either directly or through Parent Teacher Associations and Foundations based on the revenue from each school.

All of these marketing campaigns will be supplemented by ongoing “brand awareness” campaigns, with advertisements in the local paper, interviews with the college newspaper and fliers posted at popular local events. We will highlight our community service involvements as part of our “good neighbor” approach to doing business in this area.

## Sales Strategy

Our sales strategy focuses first on providing the highest quality products and services to our target customers. Once a customer enters our store, it is our job to make sure their experience with us is enjoyable, memorable and ultimately repeatable. Product offerings and prices will be clearly posted behind the counter, and our staff will be educated about the ingredients and processes involved in each one, so they can answer any and all customer questions. Customers can taste any product before choosing. In addition, our seating area will be comfortable, clean, and contemporary. We will initially offer three sized cups (small, medium and large). Prices will be based on weight.



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## Sales Forecast

Our sales will largely be determined by foot traffic in the area, the season of the year, and current weather conditions. We estimate first year sales of approximately \$480,000, \$600,000 in the second year.

These sales forecasts are based on several real world observations. We assumed that there would be a 50% increase in summer month sales over winter month sales depending on the locations.

Yogurt Land plans to have a soft start, inviting only family and friends over for the first few days. This will help the owners get experience in managing the shop and help them to be better prepared. Because the yogurt concept is still in the developmental stage in Texas, initial sales beyond that are predicted to be modest, especially during the winter months. We expect our sales to follow a seasonal trend, peaking out in August (the first year we assumed to be building a customer base) and reaching a low in January and February.

For the second year, we expect to see a substantial increase in sales due to a normal annual sales volume, and the dramatic difference between the monthly average of the startup months and their counterparts in the second year. In the third year, we expect a more conservative increase in sales revenues.

## Management Summary

John Doe, as one of the founding partners/investors, launched a self-service frozen yogurt retail business in Porter, Texas in 2009. He was instrumental in training, marketing and successfully expanding the business into becoming a leading business organization in the field of frozen yogurt by opening one store per quarter in the first 12 months of the inception. His area of responsibilities included finding new locations, providing support to licensees and R&D of new products.

Mr. Doe has a strong entrepreneurial spirit and he is passionate about investing a great deal of time and effort over the coming years to make Yogurt Land an utter success. Mr. Doe shall act as the marketing executive, with the other owners acting as operational and administrative executives. They shall be responsible for hiring and supervising part time help that will be hired as needed, throughout the year. Additional assistance is acquired on a part-time basis and/or through the use of consultants, specifically in legal matters. The owners have close connections with many consultants who can advise the business.

Mark Nguyen, a managing member of Company LLC, a private investment vehicle, prior to Yogurt Land, was involved in the development of commercial real estate and private equity investments in scrap metal and bio-diesel industries as well as venture capital investments in an alternative energy industry. Previous to that, he was a director of Food Industry Company in New York, a food wholesale/distributor selling to over 500 accounts where he spearheaded a marketing campaign to achieve \$30 Million in annual sales revenues in 2004. He also directed the acquisition of Nature Leaf Inc., an organic tea leaf manufacturer in 2003 and the acquisition of International Food Corp., a food distributor in New York in 2002.

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Prior to that Mr. Nguyen was a managing director of a money management firm in New York where he supervised a staff of 20, managing and overseeing the performance of the company's proprietary hedge fund, and was responsible for launching of first-ever hedge fund in NY for the 2nd largest asset management company in Japan with assets of \$30 billion under management.

Roberta Smith, prior to Yogurt Land, was a tax manager at Magnolia Securities in New York. Her primary responsibilities involved devising and advising on different planning and budgeting models to achieve above-average gross and net profit margins for the securities arm of the Magnolia Group while preparing and interpreting separate and consolidated financial statements.

Prior to Magnolia Securities, Ms. Smith was a tax and business consulting manager at Stevens and Rogers LLP in New York. She was responsible for building quantitative modeling analysis for multiple scenarios for strategic business planning and budgeting with a specific focus on improving the enterprise's gross and net profit margin. She trained and conducted seminars for new staff and client personnel; led federal and state audit examination issues and negotiated assessments; researched and developed global expansion strategies.

## Personnel Plan

We expect seasonal hiring of part time employees. Because we will offer no benefits to our employees in the first year, full time employees will not be hired (nor are they necessary for the first year.)

We foresee hiring six or seven part-time employees besides the two owners to begin working upon completion of the build-out. Our employees will share hours during the week because we expect to have a paid employee work an average of 4-5 hours per day for 5 days per week. We will pay competitive wages that are above minimum wage. Leslie Green will be General Manager and William Payne will serve as Supervisor, while John Doe, Mark Nguyen and Roberta Smith will be involved in sales & marketing and administration.

We expect to be open for business approximately 84 hours per week, usually 11 a.m. to 11 p.m. This will be the hourly schedule throughout the year.

## Financial Plan

Yogurt Land has readily available investment capital to make cash injections to purchase all equipment and to build and finish out the store from inception to completion. No other immediate financing needs are expected.

We will begin to turn a net profit in the first year of operation and expect to increase profits in years two and three.

## Projected Profit and Loss

Over the first year we expect a profit of \$150,000 - \$170,000. Over the next year we expect to see a more substantial profit level of \$230,000 - \$250,000 as sales increases, and in the third year we expect our profit to grow in excess of \$250,000. This is achievable primarily because of exceptionally high gross margin, minimal variable costs (cost of goods sold) and maintaining subdued fixed costs (wage expense).

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## Business Ratios

Our gross margin is significantly above the industry average (78%). We believe this is because a large part of this industry involves manufactures who produce large quantities using economies of scale. As a retail shop, Yogurt Land can command a higher price per gallon than wholesale manufacturers, but more costs are incurred in terms of set-up cost, personnel hours and marketing expenses.



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