



# Pizzeria

PIZZA TO GO, INC.

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3215 Sturges St.  
Pittsburgh, PA 15233

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*This plan relies on a proven name and business philosophy to propose the creation of a franchise takeout pizza store. The company does an excellent job of establishing the typical area these franchises are started in, then showing the proposed location to be identical. Ideas for capital cost reduction, as well as the proven success of the other franchises, solidifies this proposal's viability.*

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## INTRODUCTION

Pizza to Go, Inc. is a Pennsylvania corporation, having been incorporated in September of 1996, primarily for the purpose of selling pizza, salads, submarine sandwiches, and various other food products, as a licensed franchisee under the franchise name of "Mama's Pizza." The company presently maintains an office in Pittsburgh, Pennsylvania. The president and principal shareholder of the company is Robert Warren.

## STRATEGIC PLAN

The company intends to open, over the course of the next three years, several franchised retail pizza establishments in the greater Pittsburgh, Pennsylvania area, with its first store scheduled to open in January of 1997. The company's primary thrust will be to locate each of its stores in newly developing, high density, residential areas, with little pre-existing competition. The company also will maintain high quality control standards, strictly adhering to the Mama's Pizza "formula," which has, to date, proven successful (Mama's Pizza has previously been voted the number 1 best tasting pizza in Pennsylvania). The company also will utilize mid-level pricing.



## STRATEGIC PLAN

The name of the franchisor is Mama's Pizza Franchising, Inc., a Pennsylvania corporation formed in 1996 for the purpose of offering and selling Mama's Pizza franchises, and servicing, supporting, and administering all functions inherent in operating the franchise system. William A. Becker is the president, treasurer, director, and 50% shareholder of Mama's Pizza Franchising, Inc.

The names of Mama's Pizza predecessors are William A. Becker, Inc. and the Becker Group, Inc., both Pennsylvania corporations. William A. Becker, Inc. and Mama's Pizza Franchising, Inc. maintain their principal business address in Pittsburgh, Pennsylvania. Since its inception in 1990, William A. Becker, Inc. has been engaged in the ownership and operation of Mama's Pizza stores that specialize in the sale of pizza and other food products in the metropolitan Pittsburgh area. Over the last three years William A. Becker, Inc. has owned and operated two Mama's Pizza stores, located in nearby suburbs. There are presently eight additional franchised Mama's Pizza establishments in the metropolitan Pittsburgh area. Negotiations are pending for additional stores. Another company store is expected to open in January of 1997.

## THE FRANCHISE AGREEMENT

On November 12, 1996 the company did execute with Mama's Pizza Franchising, Inc. the Franchisor's standard franchise agreement with numerous amendments, deletions, and additions. Under the agreement, the company has a protected territory defined as a five-mile radius from each of its stores. Under the agreement, no other Mama's Pizza franchise or company store can be opened within this five-mile radius protected area. Furthermore, the company has negotiated and the agreement provides that the company has a 30-day right of first refusal anywhere within Washington and Westmoreland counties. This right of first refusal will allow the company, if it chooses, to "lock-in" these counties, thereby becoming and remaining the sole Mama's Pizza franchisee in such counties.

Finally, under the agreement, the company is required to pay an ongoing franchise royalty equal to 3% of gross revenues during the first year of operations and 4% thereafter. An industry wide review of franchise fees and royalties reveals that the Mama's Pizza royalty is substantially less than those found with competing pizza franchises.

## PURPOSE OF FINANCING

The company is seeking financing for the express purpose of providing cash funding to allow (1) the acquisition of various machinery, equipment, and supplies and (2) the construction of its first retail pizza establishment.

1. **The Equipment:** Schedule A, is a pro-forma list of the equipment and supplies anticipated to be required for the operation of the company's first pizza store, together with a projected aggregate cost of such items. It is important to note that the company has decided to acquire wherever possible used equipment and supplies, recognizing that quality used equipment is readily available in the marketplace at substantial savings. The purchase of high quality, well maintained used equipment will allow the company to reduce its capital outlays to approximately 30% of what would otherwise be expected as a result of purchasing new equipment. This will obviously preserve working capital, reduce ongoing interest costs, and increase net profitability.
2. **The Build-Out:** Schedule B is a list of the items associated with the "Build-out," which is capable of being financed together with their anticipated cost.

The total cash financing sought for both the equipment and the "Build-out" is \$90,000.



## THE INITIAL STORE

The company's initial store will consist of 1,600 square feet of retail space. Indeed, the company has executed a five-year lease with a five-year renewal option at an annual rent of \$12.00 per square foot. This results in a monthly rent charge of \$1,600, plus common area charges which are anticipated to approximate \$300 monthly. The initial store will be located in a plaza consisting of 7 retail establishments. The plaza includes two other retail food establishments an Outback Steak House which can be described as an "anchor" and Bagel Factory. Neither the Outback Steak House nor Bagel Factory are considered to be direct competitors. Each of their product lines are substantially different and their markets are likewise different. The company is a takeout retail pizza franchise, while both Outback Steak House and Bagel Factory are essentially sit-down restaurants with different product lines. The remaining retail outlets in the plaza include Delta Florist, Century Cellunet, Airway Oxygen, and Benjamin Moore.

## THE COMPETITION

The company has examined in detail the geographic area consisting of a two-mile radius from the initial store to determine the extent of competition. It is apparent that little competition exists. The nearest retail pizza establishment west of the initial store is located in a town which is approximately five miles further west. In this town one will find a wide array of pizza establishments, including Little Caesars, Dominos, Pizza Hut, and Hungry Howies. The nearest competing business is approximately one quarter mile to the east and is a nonfranchised, independent pizza establishment known as Jack's Pizza. Approximately two miles to the east are Little Caesars and Papa Mario's. Approximately one and one half miles to the south is a Whatta Pizza. There are no competing pizza establishments within three miles to the north of the initial store.

## MARKETING PLAN

The company's marketing thrust will be twofold. First, the company will be participating in and benefiting from the franchise wide marketing fund. Under the "agreement," each franchisee pays to the franchisor a marketing fee equal to \$.10 per pizza box purchased. This amount is then forwarded to the franchisor by the box manufacturer and utilized for the benefit of the franchise. The advertising is not store specific and is geared toward promoting the franchise name and the franchise's product line as a whole. Second, under the "agreement," the company is obligated to expend 1% of its gross revenues on local advertising. However, the company fully expects to exceed the 1% requirement. Indeed, the company's marketing thrust will consist of fliers, discount coupons, and inserts as well as direct mail promotions.

With respect to packaging, it is important to understand that as a franchisee, the company will be licensed to utilize each and every one of the Mama's Pizza trademarks. Indeed, the "agreement" specifically requires that each of the franchisees strictly adheres to trademark packaging. This is common industry practice.

Editor's note: this plan also includes a Schedule C reflecting the probable pricing structure of each of the company's proposed products. This pricing is mid-tier and represents, in the opinion of the company, good value, when compared to the quality of the company's product line.

## PRO-FORMA FINANCIAL STATEMENTS

Schedule C is a pro-forma income statement, before depreciation charges, reflecting the company's anticipated cash flow generated by the initial store during the calendar year ending December 31, 1997.



## SCHEDULE A

DESCRIPTION	COST
MIDDLYBY MARSHALL	
350 DOUBLE OVENS	15,000
ACME SHEETER	1,600
VCM MIXER	3,000
3 DOOR PIZZA PREP TABLE	1,800
3 DOOR SALAD PREP TABLE	1,500
THREE COMPARTMENT SINK	675
TWO HAND SINKS (125ea.)	250
FREEZER	400
THREE 8' SS TABLES (275ea.)	825
ONE 6' SS TABLE	125
SMALLWARES	6,000
EXTERIOR SIGNS	4,000
INTERIOR SIGNS	600
UNDERCOUNTER COOLER	900
PROOFER	1,100
PHONE SYSTEM	2,600
CAR TOP SIGNS	850
FAX MACHINE & CASH REGISTER	600
PIZZA BAGS	265
8' X 12' WALK-IN COOLER	
(INSTALLED)	5,300
TOTAL	47,390
TAX	2,843
DELIVERY AND SET-UP	750
<b>TOTAL</b>	<b>\$50,983</b>

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## SCHEDULE B

DESCRIPTION	COST
FLOORING	\$3,680
CEILING	840
WALLS	4,100
COUNTERS & CABINETS	2,000
HVAC	1,000
MAKEUP AIR	5,000
HOOD FOR MAKEUP AIR	2,000
ELECTRICAL	2,600
PLUMBING	4,400
MISC. LABOR & RELATED SERVICES	7,200
MISC. EXTRAS	1,200
<b>TOTAL</b>	<b>\$34,020</b>

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## SCHEDULE C

### Pro-Forma Income Statement

### Net Income Before Depreciation & Taxes

### First Year-3% Per Month Growth

	Jan	Feb	Mar	April	May
<b>INCOME</b>					
Sales-Food	36,000	37,080	38,192	39,338	40,518
Sales-Pop & Bottles	1,800	1,854	1,910	1,967	2,026
Sales-Deliv.	2,600	2,678	2,758	2,841	2,926
<b>Total Gross Income</b>	<b>40,400</b>	<b>41,612</b>	<b>42,860</b>	<b>44,146</b>	<b>45,471</b>
<b>COST OF GOODS SOLD</b>					
Purchases	10,100	10,403	10,715	11,037	11,368
Delivery Expense	1,620	1,669	1,719	1,770	1,823
Operating Supplies	121	124	128	132	136
<b>Total C.O.G. Sold</b>	<b>11,841</b>	<b>12,196</b>	<b>12,562</b>	<b>12,939</b>	<b>13,327</b>



	Jan	Feb	Mar	April	May
<b>Gross Profit</b>	28,559	29,416	30,298	31,207	32,144
<b>EXPENSES</b>					
Franchise Fee	1,212	1,248	1,286	1,324	1,364
Insurance	350	350	350	350	350
Maintenance & Repair	400	400	400	400	400
Office Supplies	40	42	43	44	45
Advertising	3,500	2,000	1,000	1,000	1,000
Bank Charges	40	42	43	44	45
Laundry	121	125	129	132	136
Rent - Office	1,900	1,900	1,900	1,900	1,900
Equipment Lease	1,500	1,500	1,500	1,500	1,500
Rubbish Removal	40	40	40	40	40
Telephone	300	300	300	300	300
Utilities	525	541	557	574	591
Sales Tax	2,160	2,225	2,292	2,360	2,431
Wages	9,898	10,195	10,501	10,816	11,140
<b>Total Expenses</b>	21,987	20,907	20,340	20,785	21,244
<b>Net Operating Income</b>	6,572	8,509	9,959	10,422	10,900
<b>Cumulative Net Operating Income</b>		15,081	25,040	35,462	46,361

June	July	Aug	Sept	Oct	Nov	Dec
41,734	42,986	44,275	45,604	46,972	48,381	49,832
2,087	2,149	2,214	2,280	2,349	2,419	2,492
3,014	3,105	3,198	3,294	3,392	3,494	3,599
46,835	48,240	49,687	51,178	52,713	54,294	55,923
11,709	12,060	12,422	12,794	13,178	13,574	13,981
1,878	1,934	1,992	2,052	2,114	2,177	2,243
140	144	149	153	158	162	167
13,727	14,139	14,563	15,000	15,450	15,913	16,391
33,108	34,101	35,124	36,178	37,263	38,381	39,533
1,405	1,447	1,491	1,535	1,581	1,629	1,678
350	350	350	350	350	350	350
400	400	400	400	400	400	400
47	48	50	51	53	54	56
1,000	1,000	1,000	1,024	1,054	1,086	1,118
47	48	50	51	53	54	56
141	145	149	154	158	163	168
1,900	1,900	1,900	1,900	1,900	1,900	1,900
1,500	1,500	1,500	1,500	1,500	1,500	1,500
40	40	40	40	40	40	40
300	300	300	300	300	300	300
609	627	646	665	685	706	727
2,504	2,579	2,657	2,736	2,818	2,903	2,990
11,474	11,819	12,173	12,538	12,915	13,302	13,701
21,717	22,203	22,705	23,245	23,807	24,387	24,984
11,391	11,898	12,419	12,933	13,456	13,994	14,549
57,753	69,650	82,070	95,003	108,459	122,453	137,001

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## Cash Flow

	01/31	02/07	02/14	02/21	02/28
BEGINNING BALANCE					
Checking	14,154	12,337	14,534	13,216	15,111
SALES					
Food	0	2,900	3,335	3,835	4,411
Pop	0	100	110	121	133
Deliveries	0	200	220	242	266
Total	0	3,200	3,665	4,198	4,810
COSTS					
Drivers	30	102	117	134	154
Food	0	598	992	1,099	1,259
Total	30	700	1,109	1,234	1,413
Subtotal	14,124	14,837	17,090	16,180	18,507
EXPENSE					
Franchise Fee				217	
Insurance					
Maintenance & Repair					
Office Supplies			50		
Advertising			590	460	
Bank Charges					
Laundry			34	34	34
Rent - Office	0				1,975
Equipment Lease	0	0	0	0	0
Rubbish Removal		129		128	
Telephone	354				354
Utilities	79				350
Wages - Gross	1,354		3,000		3,000
Taxes	0	174	200	230	265
Total Expenses	1,787	303	3,874	1,069	5,978
Ending Balance	12,337	14,534	13,216	15,111	12,530
Labor					38,2%





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Office Supplies			50		
Advertising			590	460	
Bank Charges					
Laundry			34	34	34
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Rubbish Removal		129		128	
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03/07	03/14	03/21	03/28	04/07	04/14	04/21	04/28
12,530	14,799	15,286	19,479	17,342	23,030	24,685	29,903
5,072	5,833	6,708	7,714	8,871	8,871	8,871	8,871
146	161	177	195	214	214	214	214
293	322	354	390	429	429	429	429
5,511	6,316	7,239	8,299	9,514	9,514	9,514	9,514
176	202	232	266	304	304	304	304
1,443	1,653	1,895	2,172	2,490	2,854	2,854	2,854
1,619	1,856	2,126	2,437	2,794	3,159	3,159	3,159
16,422	19,260	20,399	25,341	24,063	29,386	31,040	36,259
270	0	355	0	466	0	571	0
336	0		336	0	0	0	336
50			50	0	0	0	50
500	590						
34	34	34	34	34	34	34	34
			1,975	0	0	0	1,975
0	0	0	1,149	0	0	0	1,149
128		128					
			354	0	0	0	354
			500	0	0	0	500
	3,000		3,137	0	4,135	0	4,412
304	350	402	463	532	532	532	532
1,623	3,974	919	7,998	1,032	4,701	1,137	9,343
14,799	15,286	19,479	17,342	23,030	24,685	29,903	26,916
	29.1%		23.1%		23.2%		23.2%

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12,530 14,799 15,286 19,479 17,342 23,030 24,685 29,903

5,072 5,833 6,708 7,714 8,871 8,871 8,871 8,871  
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 293 322 354 390 429 429 429 429  
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176 202 232 266 304 304 304 304  
 1,443 1,653 1,895 2,172 2,490 2,854 2,854 2,854  
 1,619 1,856 2,126 2,437 2,794 3,159 3,159 3,159  
 16,422 19,260 20,399 25,341 24,063 29,386 31,040 36,259

270 0 355 0 466 0 571 0  
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 34 34 34 34 34 34 34 34  
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 500 0 0 0 500  
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 304 350 402 463 532 532 532 532



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