



Pasta Franchise

PASTA EXPRESS

117 High St.
Jordan, MI 49775

This business plan examines a take-out pasta franchise with a careful consideration of the marketplace, a crucial step, considering the highly competitive market in which the store will operate. This new concept in food service has a good location, but so do its competitors, all of which are located in a highly trafficked upscale shopping area. Note that promotional advertising is a high percentage of sales.

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EXECUTIVE SUMMARY

The market demand has never been greater for food that is healthy, economically priced, and great tasting. This is the last market with wide open potential for growth to the American consumer. Traditionally, pasta has been consumed in fine restaurants, usually in a more formal or sit down atmosphere at medium to high prices. As pasta has moved to the center stage as a product that both tastes good, and is good for you, Pasta Express has positioned itself to provide the services in demand by the American consumer; a variety of healthy pastas, moderate price and very good taste. The basic focus is to provide the consumer with a healthy, quality meal which is economically priced. This is a concept that will never grow old.

Pasta Express is a franchise system of fast food pasta restaurants with dine in, take out and delivery service, with ongoing support from the national franchiser. National assistance includes; site selection, restaurant design, comprehensive training, support of ongoing operations through marketing assistance, quality control programs, research and development.

Pasta Express of Jordan, MI will require a total financial commitment of \$110,000. The franchise fee for the Jordan restaurant will be \$10,000. Additional rights to two (2) more stores (located within the protected territory of Jordan, Jordan Hills, Landview Township and Whistler Heights) has been purchased for \$10,000 each, with \$5,000 payable up front and \$5,000 payable when each additional store is opened. Any (all) store openings after initial three will not have any franchise fees. The initial equity contribution of \$110,000 will be provided by Pirko, Inc., owners and operators of the Jordan store.



DESCRIPTION OF BUSINESS

History

Pasta Express of Jordan, MI is being structured to operate franchises of the national chain Pasta Express. Pasta Express is owned by Frank Taylor of FT Pasta, Inc. and headquartered in Freemont, MI.

The national Pasta Express chain was established in 1987 with the opening of the original Pasta Express in Freemont, Mi. The company has been franchising since 1991. Recent growth has been in the Detroit area where there are currently 12 stores in operation. Pasta Express has signed master franchise agreements in Wisconsin, Texas, and Indiana to open stores within the next ten years. There are currently restaurants opened and operating in each of the areas.

Ownership Structure

Ownership of the business is in the form of an S Corporation with 50% of the stock owned by Thomas McAfee and the remaining 50% of the stock owned by Carol McAfee.

Business/Professional qualifications

Thomas McAfee has worked in Computer Systems management for the last fifteen years. He is a graduate of Michigan State University with a Liberal Arts degree. He also holds an Associates degree in Business from Washtenaw Community College. He does not have any restaurant ownership experience.

Carol McAfee has worked in a retail environment for over three years and in a doctor's office for the last year. She has attended Wayne County Community College. She does not have any restaurant ownership experience.

Objectives

The objectives for the first five years of the business are as follows:

- Obtain training from the Franchiser

- Open and establish the first restaurant within the community

- Make the restaurant profitable

- Expand into a minimum of three restaurants within ten years

Products/Services

Pasta Express is a fast food pasta chain that focuses on the drawing power of an Italian restaurant that meets the needs of people on the go who still want a healthy product at reasonable prices.

For many years, the only place you could get a variety of quality pasta was a sit down Italian restaurant that was much more expensive and did not meet the needs of the customer who is in a hurry.

The Pasta Express menu is centered around pasta dishes, with a variety of sauces. The majority of the sauces are cooked on site from Pasta Express recipes. For diversity, Pasta Express also offers individual pizza's (in some stores), a line of hot Italian sandwiches, and a good selection of salads. The Pasta Express menu items are available for dine in, carry out, and delivery. Pasta Express also carries a large party, or catering, menu.

The service is exceptional. The #1 goal of each employee will be customer service and satisfaction. Pasta



Pasta Express believes in the old fashion motto "the customer is always right". In today's society where customer service is often lacking, Pasta Express will structure the business to provide the best service possible in a friendly, helpful atmosphere.

Geographical Area

Pasta Express will draw customers primarily from the Jordan, Jordan Hills, and Landview Township communities.

Pasta Express will draw on the Jordan communities reputation as growing upper middle class community with a thriving old fashion downtown area. The Pasta Express franchises are structured to operate in areas with populations of a minimum of 25,000 people.

There are no physical limitations to the market area since the Jordan area is well served by several major roads, and interstate 75 and M-59.

Major Customers

Pasta Express relies on customer volume with no specific major customer groups. However, the customers can be categorized as:

1. baby boomers with families
2. Office/retail employees
3. young adults (teens to early 20's)
4. Adults over 50

Facilities/Equipment

Pasta Express is structured to operate in strip mall type locations. The corporate headquarters provides detailed site selection assistance, including lease negotiations.

Pasta Express is designed to function in a 1,500 square foot store. A drive up window can be utilized if a suitable site for such is located.

The final site has been identified for the first store:

117 High St. in downtown Jordan

The equipment necessary for the operation of Pasta Express is part of the purchase agreement with the Pasta Express Franchiser (FT Pasta, Inc.) and will be supplied before store opening.

Organization

Pasta Express's staff will be divided into three functional areas, Operations, Administration and Marketing. Each division will be headed by one of the principals:

Operations: Carol McAfee

Administration: Thomas McAfee

Marketing: Thomas McAfee



MARKET ANALYSIS

Geography/Demographics

The national trend for eating out has increased over the last five years and will continue into the future. In 1993, the amount of money spent on eating out was equal to what was spent for consumption inside the home. This is the first time that consumers spent as much for "eat out" food as they did for "at home" food. According to the American Demographics magazine, in year 1996, spending on restaurants and take out food overtook the nation's grocery bill. The market demand has never been greater for food that is healthy, economically priced, and great tasting. The recent health oriented menu options added to national chains like Taco Bell, Subway, and even McDonald's, point to the nation's desire for healthy food.

In an analysis of casual dining Restaurant Business magazine noted that baby boomers, and others, are coming face to face with the realization that youth is ephemeral. With that realization has come the emphasis on healthy dining alternatives like pasta.

The Jordan area has a very good mix of retail and industrial businesses along with a combination of single family homes and apartments. There are also two high schools, one university, and one community college in the area.

There are many competing, well established food outlets in the area, however, few of them are currently providing a similar product at the same price point.

Customers

The customers for restaurants in the geographical area served by Pasta Express, Jordan, can be categorized as follows:

1. baby boomers with families
2. Office/retail employees
3. young adults (teens to early 20's)
4. Adults over 50

There are several identifiable characteristics of the market area that determine the segment as listed. Since this area is rapidly growing, as opposed to mature, there are new home buyers who tend to have families and dine out often. According to American Demographics Magazine baby boomers and their families eat out an average of four times a week.

Within the Jordan and Jordan areas, there is a good mix of retail, office, and industrial trade. This should provide Pasta Express with an opportunity for a good luncheon business.

There are two high schools within the Jordan Hills boundaries, along with one university. In a neighboring community, there is a large community college. This should give the Pasta Express an opportunity at capturing some of the young adult market.

The final group, adults over 50, dine out an average of 2.4 times per week. Recent trends indicate that adults age 50+ are dining out less often, but they are more attracted to restaurants that offer food to be eaten at home. Pasta Express can satisfy their needs.

Assumptions

The strategic goals and plans for Pasta Express are based on the following assumptions:

1. The National and local trends toward consumption of healthy food will continue. All indications from national publications consulted agree that healthy food which is reasonably priced will continue its popularity well into the next century.



2. The trend towards dining out will remain steady. Indications are that dining out will actually increase over the next five to seven years.

Supply and Demand

The restaurant industry in the United States has been characterized by rapid change. During the 50's and 60's, dining out was quite a new experience to a country feeling the affects of postwar affluence. Also, the various wars have increased the awareness many Americans have with foods from different cultures. This has spawned a trend toward restaurants featuring food from Europe and Asia.

An American original, the diner, spread across the country and soon evolved into chain restaurants operated by local, regional, and national corporations. During this period, a new restaurant concept grew up from the local hamburger stand. The fast food restaurant was started from such humble beginnings and quickly multiplied. Over the next two decades fast food matured and changed at the same time to meet the changing tastes of the public.

While fast food chains experienced significant growth, restaurants evolved also. During the late 60's and 70's, "natural" food restaurants became popular only to give way to nouvelle cuisine in the 80s. The trend in the 90s is to healthy food, low in fat, cholesterol, and sugar.

The national restaurant industry includes approximately 125,000 restaurants plus 235,000 fast food restaurants according to the National Restaurant Owners Association (NROA). NROA estimates that combined restaurant sales reached 4.5 billion dollars in 1994.

The local market reflects the national trends. As pasta has moved to the center stage as a product that both tastes good and is good for you, Pasta Express has positioned itself to provide the services in demand by the American consumer; a variety of healthy pastas, moderate price, and very good taste.

Growth Factors

The number of restaurants will grow at an annual rate of 7.3% for the next five years according to a report from the U.S. Department of Agriculture.

The growth can be attributed to many factors such as a continued trend toward two worker families, thus eating out more for lunches and having little time to prepare a meal after work. The biggest potential for growth involves food prepared for consumption, or take-out food. As the name, Pasta Express, implies, we are positioned to take advantage of either market segment.

The local Jordan area will experience a growth rate above the national average due to the rapid growth of the population throughout Langston county. Numerous subdivisions are being developed along with major construction of retail and multi family housing in the downtown Jordan area.

Product Lifestyle

The restaurant industry is in a rapidly growing phase. Although this growth trend means opportunities for increased sales volume and higher profit margins, overhead must be closely monitored. The importance of quality control, purchasing, low overhead, advertising and marketing cannot be overstated.

At all of the Pasta Express franchise locations, customer loyalty has been developed through its excellent service and popular menu. Attention must be paid to trends, however, and changes should be made early in both the menu and decor before customers become bored and move on to another experience.

Price Structure

Pasta Express is structured to present excellent tasting food at reasonable prices. As such, Pasta Express



operates with food costs at 34% of gross. This figure is somewhat higher than industry standards for the same type of menu, however, Pasta Express strives to maintain affordable prices. Pasta Express will keep menu prices at reasonable levels to attract the largest share possible from its demographic base.

Marketing Process

Pasta Express will market food and service of its restaurant using a custom designed campaign by the Franchiser. Franchise fees of 2% of gross sales will be applied for corporate advertising in addition to a minimum of 2% of gross sales to be applied to advertising for individual stores.

Advertising campaigns will utilize newspaper and direct coupon marketing. Pasta Express will also market its catering (or Pasta trays) through the same advertising means.

Some of the advertising means used will be:

Life and Style News : Advertisements and flyers will be distributed through the newspaper on a regular basis.

Mini Market Share : Advertisements will be place periodically by the Franchisor in this mailer package.

Bounce back Flyer's and coupons : will be put in every customers food order to help create return business.

Downtown Jordan Promotions : Advertising campaigns will be done on these special yearly events:

1. May: Pioneer Days
2. July: Sidewalk Sale
3. August: Music Festival
4. September: Arts and Crafts Festival

Tom-A-To Man costume: Costume will be rented for special occasions.

COMPETITIVE ANALYSIS

Competition

Pasta Express will have intense direct and indirect competition in the Jordan market for the food dollar. City records show that there are a number of businesses listed in the broadcategory of restaurants. Of these, many feature some form of pasta as a menu item. Additionally, a few Italian restaurants are listed each with several pasta items.

The main competition for the fast food dollar will come from the pizza chains and the national fast food chains such as McDonald's, Kentucky Fried Chicken, Arby's, etc.

Downtown Area:

The Dairy Bar, 304 High St.: Mainly fast food, hamburger dishes with an old fashioned dairy bar. Mostly dine in with some take out.

BigTime Pizza Cafe, 401 High St.: Full service medium priced Italian restaurant featuring pizza, pasta and drinks.

Gringo House, 124 W. 4th: Full service medium priced Mexican food restaurant with drinks.

Hungry Howies, 606 High St.: Take out pizza, subs, with delivery.

Krazy Kathy's, 111 University: Fast food Coney Island hot dogs. Dine in restaurant



Jordan Pub, 327 High St.: Full service moderate to expensive dine in restaurant with some carry out. Competition is in the pasta dishes.

Tony Coney, 621 High St.: Fast food Coney Island hot dogs. Dine in restaurant.

Fritz's, 423 High St.: Medium priced full service restaurant and bar. Competition is in some pasta dishes.

Grant's Steakhouse, 543 High St.: Moderate to expensive bar and dine in restaurant.

Lunch to go, 606 High St.: Take out sandwich shop geared to the luncheon crowd.

Jordan Chop House, 306 High St.: Expensive full service restaurant with valet parking.

Lebanon Kitchen, 543 High St.: Lebanese and Italian food. Moderate to expensive, dine in restaurant.

Subway, 408 High St.: Dine in and take out sandwich (sub) shop.

Polish Inn, 121 High St.: Dine in and take out inexpensive Polish style restaurant.

Renaissance Tea Room, 11 W. 3rd: Moderate priced dine in food.

Mario's Pizza, 140 High St.: Take out pizza, subs, calzones with delivery.

Brothers Pizza, 107 E. Second: Take out pizza, subs, calzones with delivery. Competition is in Lasagna.

Domino's Pizza, 121 E. University: Take out pizza with delivery.

Jet's Pizza, 816 High St.: Take out pizza and subs with delivery.

Petey's Pizza, 334 High St.: Mainly a dine in full service pizzeria.

Roberto's, High St.: Full service medium priced Italian restaurant. Competition is in pasta dishes.

Jordan Hills:

Little Caesar's, Kmart Plaza: Dine in and take out pizza.

Papa Romano's, 1322 Canner: Take out pizza, subs with delivery. Competition is in a small number of pasta dishes and catering.

Sir Pizza, 290 Willton: Take out pizza with delivery.

Smoky's Pizza and Subs, Jordan Rd.: Take out pizza, subs with delivery. Competition is in Lasagna and a small number of pasta dishes and catering.

McDonald's, Jordan Rd.: Mainly fast food, hamburger and chicken dishes. Dine in and take out.



Kentucky Fried Chicken: Mainly fast food, chicken dishes.

Arby's, 744 Jordan Rd.: Mainly fast food, roast beef, turkey and chicken dishes. Dine in and take out.

Burger King, 1106 Jordan Rd.: Mainly fast food, hamburger and chicken dishes. Dine in and take out.

Family Place, 870 Jordan Rd.: Full service, low priced family restaurant. Competition with some pasta dishes.

Ocean Side, 650 Jordan Rd.: Full service, low priced family restaurant. Competition with some pasta dishes.

Lao Tzu Palace, 173 Livernois: Chinese food, moderate price, dine in and carry out.

Advantages

1. *Healthy food* The current fast food market does not provide for fast healthy food. Pasta Express fills some of the void by allowing customers to obtain fast food which is healthy for them, and their family.
2. *Price* Pasta Express offers Italian food at lower prices than typical sit down full service Italian restaurants.
3. *Service* Pasta Express operates with the motto "the customer is always right". In today's busy world, the customer aspect of the restaurant business is often overlooked.
4. *Delivery* Pasta Express will have free delivery to everyone in the downtown area and only a \$1.00 charge for delivery outside of the downtown area. This is below the customary \$2.00 charge from the pizza chains.
5. *Untapped market* Pasta Express will offer an alternative not readily available in the Jordan marketplace.

Disadvantages

1. *Name recognition* As a fast food outlet, Pasta Express, does not have the name recognition of other local, regional and national chains.
2. *New Food Concept* Italian food, in general, and more specifically, pasta, are new concepts in fast food.
3. *Rental Costs* Prime rental locations are extremely costly.
4. *Location* The current location rented presents some problems in regards to visibility from the street. Parking is located on the side of the building. Automobiles making northbound left turns into the complex will find it difficult.

DESIGN AND DEVELOPMENT PLANS

Goals

- GOAL #1 Opening of the first Pasta Express restaurant in June of 1996.
- GOAL #2 Achieve \$180,000 in gross sales in the first year.
- GOAL #3 Achieve a 10% increase in gross sales in the second and third year of operation.



Risk Analysis

- Operational stability and support from the Franchiser
- High failure rate of restaurants (although failure rates for franchises are much less).
- Location of the operation
- Intense competition
- Scarcity of available workers

Evaluation Methods

Pasta Express will evaluate the achievement of its stated goals by measuring financial factors.

Pasta Express will monitor monthly sales volume as compared to monthly operating costs. Monthly increases (seasonal) will be expected in the gross sales category, along with year to date increases.

Opening of additional franchise locations will be determined based on gross sales and net profit levels of the first restaurant.

Strategic Actions

Strategy 1

The goal is to open the Jordan Pasta Express restaurant by June 1996. The location has been secured and most of the interior of the building has been completed.

Start up housewares, and beginning inventory needs to be ordered, along with detailing the grand opening advertising package.

Strategy 2

The goal is to achieve \$180,000 in gross sales the first year of operation. This will be accomplished through a marketing plan which is constructed by the corporate office of Pasta Express.

The corporate office plan is to include direct mailing and newspaper advertising along with in store promotions.

Strategy 3

The goal is to increase sales 10% in the second and third year of operation. This will be accomplished by:

Working with the Landview County Small Business Association and the Franchiser to build a complete marketing plan

Reviewing operations (budgets/costs) monthly with the franchiser and accountant

Providing superior products and services, exceeding customer expectations

Schedule/Timetable

Schedule For Goal 1

Develop/complete a business plan by May 1996.



Complete grand opening marketing plan by May 1st, 1996.

Hire an Accountant by May 1st, 1996.

Complete the physical construction of the restaurant by June 1st, 1996.

Order all startup equipment and stock by June 1st, 1996.

Print menus by June 15th, 1996

Hire and train employees by June 15th, 1996.

Open the restaurant by June 20th, 1996.

Schedule For Goal 2

Evaluate monthly sales to provide for increases on a monthly basis (seasonally adjusted).

Meet with the president (franchiser) of Pasta Express to review the entire operation and make recommendations for improving sales.

Review menu for items which are popular and unpopular, make adjustments accordingly.

Complete and implement an aggressive marketing plan.

Schedule For Goal 3

Evaluate effectiveness of the marketing plan. Make necessary adjustments.

Meet with Landview County Small Business Association and review the business plan.

Receive marketing assistance from the Franchiser.

Review and adjust cost of goods sold and pricing as necessary.

Reviews all costs on an ongoing basis to ensure money is expended wisely.



FINANCIAL COMPONENTS

Cash Flow Chart (6 months)

Description	Year 1 % to sales		Year 2 % to sales		Year 3 % to sales	
Sales	90,000		189,000		198,000	
Cost of Sales						
Beverages	1,900	2.11%	4,000	2.12%	4,500	2.27%
Deliveries	400	0.44%	900	0.48%	1,000	0.51%
Food Products	27,000	30.00%	50,000	26.46%	52,000	26.26%
Linen and Laundry	300	0.33%	400	0.21%	450	0.23%
Paper products, containers	3,000	3.33%	5,000	2.65%	5,200	2.63%
Payroll	12,000	13.33%	17,000	8.99%	17,000	8.59%
Produce	2,000	2.22%	4,100	2.17%	4,300	2.17%
Supplies	500	0.56%	500	0.26%	500	0.25%
Taxes-Payroll	1,500	1.67%	2,000	1.06%	2,000	1.01%
Operating Expenses						
Advertising	5,500	6.11%	6,700	3.54%	7,000	3.54%
Amortization	1,750	1.94%	3,000	1.59%	3,000	1.52%
Bank Charges	1,000	1.11%	1,000	0.53%	1,000	0.51%
Contributions	100	0.11%	500	0.26%	500	0.25%
Depreciation	6,000	6.67%	6,000	3.17%	6,000	3.03%
Insurance	800	0.89%	800	0.42%	800	0.40%
Legal and Accounting	1,000	1.11%	2,000	1.06%	2,200	1.11%
Maintenance	400	0.44%	700	0.37%	700	0.35%
Payroll-Officer	8,000	8.89%	10,000	5.29%	10,000	5.05%
Rent	12,000	13.33%	20,500	10.85%	20,500	10.35%
Royalties	3,600	4.00%	7,560	4.00%	7,920	4.00%
Sales Tax	5,400	6.00%	11,340	6.00%	11,880	6.00%
Tax - personal property	300	0.33%	600	0.32%	600	0.30%
Telephone	700	0.78%	1,300	0.69%	1,300	0.66%
Trash Removal	200	0.22%	400	0.21%	400	0.20%
Utilities	3,000	3.33%	6,200	3.28%	6,500	3.28%
TOTAL	(8,350)	109.28%	26,500	85.98%	30,750	84.47%

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Linen and Laundry	300	0.33%	400	0.21%	450	0.23%
Paper products, containers	3,000	3.33%	5,000	2.65%	5,200	2.63%
Payroll	12,000	13.33%	17,000	8.99%	17,000	8.59%
Produce	2,000	2.22%	4,100	2.17%	4,300	2.17%
Supplies	500	0.56%	500	0.26%	500	0.25%
Taxes-Payroll	1,500	1.67%	2,000	1.06%	2,000	1.01%
Operating Expenses						
Advertising	5,500	6.11%	6,700	3.54%	7,000	3.54%
Amortization	1,750	1.94%	3,000	1.59%	3,000	1.52%
Bank Charges	1,000	1.11%	1,000	0.53%	1,000	0.51%
Contributions	100	0.11%	500	0.26%	500	0.25%
Depreciation	6,000	6.67%	6,000	3.17%	6,000	3.03%
Insurance	800	0.89%	800	0.42%	800	0.40%
Legal and Accounting	1,000	1.11%	2,000	1.06%	2,200	1.11%
Maintenance	400	0.44%	700	0.37%	700	0.35%
Payroll-Officer	8,000	8.89%	10,000	5.29%	10,000	5.05%



Description	Year 1	% to sales	Year 2	% to sales	Year 3	% to sales
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Sales Tax	5,400	6.00%	11,340	6.00%	11,880	6.00%
Tax - personal property	300	0.33%	600	0.32%	600	0.30%
Telephone	700	0.78%	1,300	0.69%	1,300	0.66%
Trash Removal	200	0.22%	400	0.21%	400	0.20%
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STATEMENT OF ASSETS AND LIABILITIES

ASSETS

Current Assets:

Cash in Bank 21,000 21,000

Fixed Assets:

Equipment 22,000

Leasehold Improvements 38,000 60,000

Other Assets:

Franchise Fees 20,000

Startup Costs 7,000

Rent Escrow 2,000 29,000

Total Assets

110,000

LIABILITIES

Current Liabilities

Long Term Liabilities

Loan - Shareholder 105,000 105,000

Equity

Common Stock 5,000 5,000

Total Liabilities

110,000