

**Business Plan for**

**The Mommy – May I Muffin Company, Inc.**

**GM560 – Entrepreneurship and Small Business**

**Management**

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## **I. The Executive Summary**

The Mommy-May I Muffins Company, Inc., is a new company based out of Jersey City, NJ. We develop and market wholesome muffins made from all-natural ingredients, supplying parents with a healthy snack alternative for their families. These muffins are known as Mommy-May Muffins. Its founders, Cherelle Cargill and Jean-Richard Chéry, who developed the recipes out of a desire to serve their children delicious snacks that were free of artificial colors, artificial flavors, and preservatives, manage the company. This plan will serve as a living document of our growth, and will be updated quarterly.

## **II. The Industry Analysis**

The packaged baked goods and retail foods industry is a major industry worth \$300 billion per year, according to CNN Business News. It includes some of the largest and most powerful manufacturers in the world, major national grocery chains, tens of thousands of stores, thousands of venders, and of course hundreds of millions of buyers.

The health-foods industry is similar in basic structure, channels, costs, and distribution. Additionally, the wholesome foods industry is the fastest growing segment in food retail, accounting for over 10% of annual sales in 2005.

As the Mommy-May I Muffins Company, Inc. is a New Jersey based company, it may be assumed that in the early stages the company will be supplying its product principally to the New York / New Jersey area. There has been a steady 4% growth in the wholesome / organic foods / health foods industry in the Northeast per year over the past decade, most notably with parents of children 2 to 12 years of age.

## **III. Background of the business**

### *a. Brief history of the business:*

The Mommy-May I Muffins Company, Inc is a new company located in Jersey City, New Jersey, that develops and markets specialty baked goods for health conscious adults and their families. The company's primary product is a muffin made with all natural ingredients that appeals to children.

The Mommy-May I Muffins Company, Inc is a privately held S-corporation. Its founders, Cherelle Cargill and Jean-Richard Chéry, are the primary shareholders and managers.

*b. Current situation:*

The Mommy-May I Muffins Company, Inc operates from a home office in Jersey City, New Jersey. All baking takes place at a commercial bakery / food production facility in Bayonne, New Jersey. As the company grows and additional staff is needed, larger office space will be acquired.

*c. Company's mission statement:*

The Mommy-May I Muffins Company, Inc will provide a wholesome snack alternative for nutrition-conscious adults and their families. We will use only the finest, freshest ingredients combined with colorful innovative packaging to deliver a superior muffin.

*d. Objectives:*

- 1.To have product available in stores to public by 4/1/08.
- 2.Sales exceeding \$10,000 in 2008, \$300,000 in 2009, and \$700,000 in 2010.
- 3.Net loss not to exceed 15% in 2008. Net profits of 5% or greater in 2009 and 10% or greater in 2010.

*e. Uniqueness:*

The Mommy-May I Muffins Company, Inc. develops and markets specialty baked goods, specifically wholesome muffins for health conscious adults and their families. All their products are made from all natural ingredients and feature colorful, innovative packaging that is popular with children and parents alike.

Mommy-May I Muffins are available in three varieties: Banana-Nut, Chocolate Chip, and Blueberry. Plans have been laid to develop additional seasonal flavors as well. Currently the company is in R&D to produce an Apple Muffin. Mommy-May I Muffins come one per package. A case contains 12 packages.

There are future plans to develop additional flavors of muffins as well as potentially developing some non-muffin products. These will be further explored in year two.

*f. Key success factors:*

1. Uncompromising commitment to quality muffins made from only the finest and freshest ingredients

2. Successful grass roots marketing: Our focus will be the specialty deli and grocery market as well as natural food stores.
3. Low cost of goods without sacrifice in quality enabling a healthy bottom line to be achieved.

#### **IV. Market Analysis**

##### *a. Potential customers:*

The primary role of the Mommy-May I Muffins Company, Inc. is to effectively market our product to select target demographic groups. Our customers primarily are parents who purchase our products for their children. In fact, the company was founded by two parents concerned with the snacks that they served their children. As a result of this concern, the Mommy-May I Muffin was born.

##### *b. Why they buy:*

The consumers of Mommy-May I Muffins will typically acquire our products at specialty food stores / gourmet delis, health food stores, coffee houses / espresso bars, and food service environments such as school cafeterias and corporate dining and vending. Our customers are not people who choose a mass-produced product containing artificial ingredients. They are prepared to pay a premium price for the quality and assurance that an all-natural product provides.

##### *c. Target market:*

Mommy-May I Muffins Company, Inc. will focus on the following markets: specialty food stores / gourmet delis, health food stores, coffee houses / espresso bars, and food service environments and supermarkets, and schools, each of which have indicated a need for a wholesome alternative to mass-produced backed products.

##### *d. Advertising and promotional strategies:*

Our promotional strategy is comprised of several key elements:

Public Relations: The Mommy-May I Muffins Company will retain the services of a PR firm specializing in the food and beverage industry. We will focus our efforts at first to secure placement in trade publications that publish to our key market sector. We will also look to secure business profiles in consumer

publications and newspapers. We feel that a well-executed PR campaign will be the most critical element to our promotion strategy.

Trade Events: We must attend all prominent trade events. This will help ensure that our brand has continuous exposure to distributors and other industry participants.

Advertising: While advertising will not play a prominent role in our initial phase due to associated costs, we will look for opportunities, particularly in trade publications, where print advertising will work in our favor.

Community Events: We will work locally and regionally with organizers of community events such as street fairs, farmers markets, and fundraisers to build local awareness of our product.

Website: Our website will be a key promotional tool that will include both fun activities for children and product information for adults. Our URL is on all of our labels and promotional materials, which should help to drive traffic to our site.

*e. Sourcing strategy:*

Mommy-May I Muffins Company, Inc. will develop the recipes, market the products, and assist its distributors in establishing new accounts. They will not directly participate in production of muffins.

Muffins will be manufactured by third-party co-packers / bakeries who specialize in private label production. Mommy-May I Muffins will participate in R&D (recipe development), and oversee the quality of the packaging. All ingredients will be sourced and inventories maintained by co-packers.

Product will then be shipped from the bakeries to regional distribution centers. It has yet to be determined who will manage the transportation of product to the distributors. The management will, however, maintain some inventory of the product to use as samples while establishing new retail accounts.

## **V. Competitor Analysis**

*a. Existing and Potential competitors*

At this time, there is no known competition in this specific market. There are several large corporate food manufacturers in the market who mass-produce muffins that contain artificial colors, artificial flavors, and preservatives. The proper placement of Mommy-May I Muffins in the specialty foods marketplace

will be critical in separating our product from what could be the perceived competition of these large companies.

## **VI. Web Plan Summary**

[www.Mommy-May-I.com](http://www.Mommy-May-I.com) will be utilized as an electronic business card for the company as well as vehicle to increase community awareness and participation. We will run coupon specials on our website, as well as potentially have a section for children's online gaming. We will also include a current event page, describing where our products can be purchased and any special promotions we will be taking part in.

Mommy-May I Muffins Company, Inc. online will also feature a store where customers can purchase logo apparel and collectables. At this time there are no immediate plans to sell our muffins via the Internet, but that option may be explored at a later time.

## **VII. Management Summary**

Mommy-May I Muffins Company, Inc. is owned and operated by its founders Jean-Richard Chéry and Cherelle Cargill. It is a small company with minimum command hierarchy and a maximum of community spirit and cooperation. There are no plans to hire additional personnel other than a driver until 2009, or when the company exceeds \$400,000 in annual sales, at which time the company's needs will be re-examined

## **VIII. Personnel Plan**

As the following table shows, salary and compensation increases are projected in line with growth in sales and profits. Salary increases are roughly similar to growth of the company and cost of living. There are only plans for two salaried employees in 2008 (those being the principal managers), and there will be no salaries prior to that time by the management. Additional payroll will be included for transporting product to the distributors. Nearly every other service (art, legal, accounting, marketing, etc.) is outsourced.

Table: Personnel (Planned)			
	2008	2009	2010
Cherelle Cargill	\$0	\$40,000	\$60,000
Jean-Richard Chéry	\$0	\$40,000	\$60,000
Part-time Driver	\$0	\$14,400	\$19,200
Other	\$0	\$0	\$0
<u>Total Payroll</u>	\$0	\$94,400	\$139,200
<u>Total People</u>	3	3	3
Payroll Burden	\$0	\$14,160	\$20,880
<u>Total Payroll Expenditures</u>	\$0	\$108,560	\$160,080

## IX. Financial Plan

Our financial plan consists of 3 points:

- a) We want financial growth mainly through cash flow. We recognize that this means we will have to grow more slowly than we might like.
- b) Collection days are very important. We do not want to let our average collection days get above 45 under any circumstances. This could cause a serious problem with cash flow, because our working capital situation is chronically tight.
- c) We must maintain gross margins of 45% at the least, which enables us to focus more capital into marketing and production.

*a. Start-up Summary*

Our start-up costs come to \$21,800, which is mostly packaging and label design, stationary, legal costs, and expenses associated with marketing and R&D. The start-up costs are to be financed by direct owner investment and other loans. The assumptions are shown in the following table and illustrations.

<u>Start-Up</u>	
<u>Start-up Expenses</u>	
Legal	\$500
Stationery, etc.	\$500
Brochures / Website Development	\$1,000
Insurance	\$300
Research and Development	\$1,500
Label and Package Design	\$15,000
Baking Equipment	\$3,000
Total Start-up Expenses	\$21,800
<u>Start-up Assets Needed</u>	
Cash Balance on Starting Date	\$18,200
Other Short-term Assets	\$0
Total Short-term Assets	\$18,200
Long-term Assets	\$0
Total Assets	\$18,200
Total Requirements	\$40,000
<u>Funding</u>	
<u>Investments</u>	
Personal Investment	\$20,000
Loans	\$20,000
Other	\$0
Total Investments	\$40,000
<u>Short-term Liabilities</u>	
Accounts Payable	\$0
Current Borrowing	\$0
Other Short-term Liabilities	\$0
Subtotal Short-term Liabilities	\$0
Long-term Liabilities	\$0
Total Liabilities	\$0
<u>Loss at Start-up</u>	<u>-\$21,800</u>

*b. Break-even Analysis*

Our break even-analysis maintains the following assumptions:

Each unit = one muffin

Per-unit costs associated with production:

- Ingredients: \$ 0.10
- Labor: \$ 0.20
- Packaging: \$ 0.08
- Total COGS: \$ 0.38

Total overall operating costs will remain low mainly as a result of minimal payroll requirements in years one and two.

Break-even Analysis:

Monthly Units Break Even: 23,438

Monthly Sales Break Even: \$16,406

Assumptions:

Average Per-unit Revenue: \$ 0.70

Average Per-unit Variable Cost: \$ 0.38

Estimated Monthly Fixed Cost: \$7,500

*c. Projected Profit and Loss*

We expect aggressive growth in years two and three with virtually no increase operating costs. This is due to careful planning and management of operating capital and by not underestimating our cost of doing business.

Additionally, the primary management has agreed to take only a nominal increase in pay until the company reaches its sales benchmark in 2010. This is how we are able to show profits by the third year and continue on a steady growth plan.

<u>Table: Profit and Loss (Planned)</u>			
<u>Pro Forma Profit and Loss</u>	2008	2009	2010
Sales	\$14,991	\$407,700	\$815,400
Direct Cost of Sales	\$8,115	\$221,074	\$442,147
Other Costs	\$0	\$0	\$0
Total Cost of Sales	\$8,115	\$221,074	\$442,147
Gross Margins	\$6,876	\$186,626	\$373,253
Gross Margin %	45.87%	45.78%	45.78%
<u>Operating Expenses:</u>			
Advertising / Promotion	\$3,000	\$24,000	\$24,000
Shipping Expense	\$0	\$8,000	\$10,000
Miscellaneous	\$2,000	\$12,000	\$12,000
Payroll Expense	\$0	\$94,400	\$139,200
Payroll Burden	\$0	\$14,160	\$20,880
Depreciation	\$0	\$0	\$0
R&D	\$1,600	\$2,400	\$2,400
Phones / Office Expense	\$1,200	\$2,400	\$24,200
Insurance	\$900	\$2,400	\$2,400
Legal / Accounting	\$600	\$3,000	\$3,000
Contracts / Consultants	\$0	\$6,000	\$6,000
Total Operating Expense	\$9,300	\$168,760	\$222,280
Profits Before Interest and Taxes	-\$2,424	\$17,866	\$150,973
Interest Expense Short-term	\$0	\$0	\$0
Interest Expense Long-term	\$0	\$0	\$0
Taxes Incurred	\$0	\$5,360	\$45,292
Extraordinary Items	\$0	\$0	\$0
Net Profit	-\$2,424	\$12,507	\$105,681
Net Profit / Sales	-16.17%	3.07%	12.96%

*d. Projected Cash Flow*

Cash flow remains strong with only minor negative flow due to aggressive monthly sales increases in year one.

Table: Cash Flow (Planned)			
Pro Forma Cash Flow	2008	2009	2010
<u>Cash Received</u>			
<u>Cash from Operations:</u>			
Cash Sales	\$14,991	\$407,700	\$815,400
<u>From Receivables</u>	\$0	\$0	\$0
Subtotal Cash from Operations	\$14,991	\$407,700	\$815,400
<u>Additional Cash Received</u>			
Extraordinary Items	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (Interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of Other Short-term Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investments Received	\$0	\$0	\$0
Subtotal Cash Received	\$14,991	\$407,700	\$815,400
Expenditures	2008	2009	2010
<u>Expenditures from Operations:</u>			
Cash Spent on Costs and Expenses	\$871	\$14,332	\$27,482
Wages, Salaries, Payroll Taxes, etc.	\$0	\$108,560	\$160,080
Payment of Accounts Payable	\$13,331	\$222,628	\$473,630
Subtotal Spent on Operations	\$14,202	\$345,520	\$661,192
<u>Additional Cash Spent</u>			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0
Purchase Other Short-term Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Adjustment for Assets Purchased on Credit	\$0	\$0	\$0
Subtotal Cash Spent	\$14,202	\$345,520	\$661,192
Net Cash Flow	\$789	\$62,180	\$154,208
<u>Cash Balance</u>	\$18,989	\$81,169	\$235,377

*e. Projected Balance Sheet*

As shown in the balance sheet in the following table, we expect a healthy growth in net worth, but not until 2011 when the company reaches its sales benchmark of \$1,200,000. The company owns virtually no assets and generates wealth solely from sales. This creates a scenario that demands healthy sales for success.

Table: Balance Sheet (Planned)				
<b>Assets</b>				
<u>Short-term Assets</u>	2008	2009	2010	
Cash	\$18,989	\$81,169	\$235,377	
Other Short-term Assets	\$0	\$0	\$0	
Total Short-term Assets	\$18,989	\$81,169	\$235,377	
<u>Long-term Assets</u>				
Long-term Assets	\$0	\$0	\$0	
Accumulated Depreciation	\$0	\$0	\$0	
Total Long-term Assets	\$0	\$0	\$0	
Total Assets	\$18,989	\$81,169	\$235,377	
<b>Liabilities and Capital</b>				
	2008	2009	2010	
Accounts Payable	\$3,213	\$52,887	\$101,414	
Current Borrowing	\$0	\$0	\$0	
Other Short-term Liabilities	\$0	\$0	\$0	
Subtotal Short-term Liabilities	\$3,213	\$52,887	\$101,414	
<u>Long-term Liabilities</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
Total Liabilities	\$3,213	\$52,887	\$101,414	
Paid-in Capital	\$40,000	\$40,000	\$40,000	
Retained Earnings	-\$21,800	-\$24,224	-\$11,718	
<u>Earnings</u>	<u>-\$2,424</u>	<u>\$12,507</u>	<u>\$105,681</u>	
Total Capital	\$15,776	\$28,282	\$133,963	
Total Liabilities and Capital	\$18,989	\$81,169	\$235,377	
Net Worth	\$15,776	\$28,282	\$133,963	

*f. Sales Forecast*

Our sales forecast assumes that there will be no change in price or costs. As indicated in our milestones table, sales will not commence until 4/1/08. This is in large part due to the completion and finalizing of recipes, packaging, structuring, of relationships with our manufacturers and distributors.

We expect slow growth throughout 2008 at a rate of 25% per month in each market segment. This will be our time to establish our first accounts and to fine-tune our co-sales strategy with our distributors.

Growth for 2009 / 2010 assumes steady growth increase in overall sales year over year as a result of aggressive grassroots marketing, PR, and increased public awareness of our products.

Table: Sales Forecast (Planned)			
Sales Forecast:			
Sales	2008	2009	2010
Muffin Sales	\$14,414	\$400,548	\$801,096
Licensed Merchandise	\$577	\$7,152	\$14,304
Total Sales	\$14,991	\$407,700	\$815,400
Direct Cost of Sales	2008	2009	2010
Muffin Sales	\$7,827	\$217,498	\$434,995
Licensed Merchandise	\$288	\$3,576	\$7,152
Subtotal Direct Cost of Sales	\$8,115	\$221,074	\$442,147