Rashon Mack & Sashil Vallabh

9/12/14

IBP

Kauai is a café-style restaurant and smoothie shop franchise that we plan to open in the near future. As business partners we have noticed a trend in the rise in popularity of cafés that serve healthy and organic foods. However, most of these stores only focus around coffee and pastries and do not offer the customer a variety of choice. The “Starbucks” and “Dunkin’ Donuts” appeal is dying out because consumers are getting tired of the same uninvolving style that these restaurants present. With our business we seek to innovate the modern café by giving our customers a wide range of new products that they will find convenient at anytime. Our store will be a one-stop shop for fast and fresh food at an affordable price as we aim to satisfy customers and their own unique tastes. Our menu will include a myriad of breakfast meals, sandwiches, wraps, bowls, salads, smoothies, and our own signature drinks. Each category of our menu will include many different tastes ranging from Mexican all the way to Thai cuisine; by empowering our customers with choice and a multitude of unique flavors we believe that Kauai will stand out and overtake its competitors.

We plan to bring the Kauai franchise from South Africa to the United States and exposing it to a vast and untapped market. Specifically our store will open in the Ballantyne area of Charlotte, North Carolina known for its affluence and distinctive life styles of its residents whom will make up our target market. From observation of the area we have recognized that Ballantinians have become increasingly active in searching for healthy, cutting-edge restaurants that fit into their divergent image. We believe that Kauai fits the image and can stratify the needs of the average Ballantinian family or individual due to our unparalleled vision. We offer something that is unlike anything ever seen in the States before, an attractive and foreign style. From our brand and restaurant design to our food and drinks Kauai will present not only a good taste but also an extraordinary experience that is different for each customer. Also, being located in an American city provides us with the perfect market for the multicultural-friendly atmosphere that we wish to present to our customers through our menu and staff.

Since Kauai is already a successful franchise in South Africa we will look to the community of managers and executives that have opened their own Kauai stores for advice and expertise in starting up our own store in a new setting. We believe that by adopting the same effective business strategy and slightly altering it to fit our new American market we will prosper in the United States and eventually build more stores when possible. We will also look into the strategies of largely profitable American franchises to find winning approaches to business startup to create the niche that will make Kauai a well known and respected brand.

In order to make the business startup process as easy and effective as possible we plan to hire a business manager. We believe that a business manager would have the most experience needed to assist us in startup since he/she will have earned a degree in Business Administration. The business manager will serve as our assistant and take care of all legal matters and organize our investments to find capital for our store. We will handle the day-to-day operations of the business like hiring staff, purchasing food ingredients, and promoting Kauai around the Ballantyne area.

We plan to take our franchise to the heart of Charlotte’s richest neighborhood, Ballantyne in Mecklenburg County. Ballantyne is located in the southern half of Charlotte, North Carolina with a temperate climate consisting of hot springs and summers and moderate winters. Being a highly popular suburban area the citizens of Ballantyne are widely spread throughout the county and represent a variety of ages groups ranging from as young as 2-3 years told to 60+ years. The better part of Ballantyne’s citizens live in modern 3 story homes within large neighborhoods, such as the Ballantyne Country Club and Stone Creek Ranch. More than half of the families in Mecklenburg County identify themselves as Protestant Christians, which will not be a problem for our company as our franchise does not conduct any practices that would offend members of this or other religious groups. Largely affluent, education is a priority for Ballantyne families who pride themselves in attaining high levels of education at secondary and post-secondary levels with excellent public and private schools as well as a nearby University of North Carolina campus located in the University area of Charlotte. The majority of Ballantinian families are Caucasian but there are also notably sized populations of minorities including Indians and Blacks within the area; fortunately along with the predominately uniform Caucasian population there seems to be no evident to support the existence of subcultures within Ballantyne, further allowing our company to pinpoint our target market without encountering extraneous variables.

As a competitor to one of the biggest café chains also located within the area, Starbucks Coffee, we feel that our comparative advantage lies in our multicultural style and the variety of products that we serve to our customers. Starbucks’ main strength lies in its status as the only large drink and pastry franchise within the area. Customers routinely commute to Starbucks locations principally because it is the only fast and easy option for them. The franchise however lacks in its ability to meet the needs of consumers who are searching for more than coffee and sweets on a daily basis. Kauai stores can offer customers a large menu of foods and flavors that they can freely choose from, including sandwiches, wraps, soups, and smoothies for those looking for a healthy snack alternative to Starbucks products. As a result to our consumer choice-friendly approach we expect to gain enough customers to compete with and most likely surpass Starbucks’ customer base.

Kauai’s intended target market will consist of middle to upper middle class Ballantyne teens, young adults, and middle aged adults ranging from the ages of 15-45+. Our business will have a gender-less and race-unspecific orientation, we will not discriminate or practice prejudice in targeting or serving potential customers. We expect the customers that fit into this target market to come from the Ballantyne area or from nearby parts of Mecklenburg county. It is a trend among families and individuals within the area to stay active and pursue healthy diets styles which is relevant and will attract customers to Kauai’s fresh and organic kitchens that only serve recently (same day) obtained products and ingredients. Kauai’s healthy approach will be another flagship factor in attracting and retaining our customer base. Of the foods and drinks that Kauai serves many of our dishes’ ingredients must be found in specialty food stores and are expensive to the average consumer. By offering these ingredients and diverse dishes together at our stores where customers can purchase them quickly and at a low price we save them the hassle they would experience trying to create the dishes themselves, thus increasing our attractiveness and customer benefit.

Being able to run a business effectively takes cooperation and coordination at all levels of management. Centralized and Decentralized management must work collectively to share information, foresee complications, and prevent failure at each level. Since Kauai is a restaurant franchise and serves a variety of diverse products we have chosen to implement a Horizontal-Product Structure in which managers will work side by side with employees and our products will be subdivided based on similarity to ensure we keep an active and up to date inventory. Kauai will employ a full time manager, an assistant manager, two supervisors, and the required number of employees in order to carry out day to day operations and set company goals along with the help of the owners. To maintain professionalism within the franchise we will implement a formalized control strategy, as we will be expanding the franchise if the first is successful, starting with our first location in Ballantyne. This formalized structure will be used as a model for each restaurant to be held accountable to upholding to the highest degree.

Once we determine that the Kauai franchise has become successful in the United States we will determine if the business is ready to compete at the international level. Upon approving Kauai to be globally competitive we will expand into the international market through franchising, the same way we plan to do in America. We feel that franchising is the best way to grow our company in foreign settings because it does not require huge financial liability, there would be a low capital outlay, and it allows for quick market penetration; franchising Kauai is smarter because it costs less and it is quick to start up this way. We believe that with a team of self-motivated owners and our formalized organizational structure Kauai can be successful in almost any part of the world.

Before we start up our first restaurant we want to be able to predict possible success or failure in order to avoid a costly venture, to do that we will first conduct thorough market research to perfect our business model. Our next step would be to obtain a loan for startup and to find the idea location to set up our restaurant within the Ballantyne area. Once we have our location we will obtain business licenses and purchase insurance on the building to mitigate the liability of owning the store. After we are comfortably situated we will look for and hire exemplary employees and develop sound advertising methods. Finally we will obtain our product inventory and the necessary kitchen/restaurant supplies and open our doors.

In order to run the restaurant smoothly and efficiently Kauai will need to hire 8 employees, including a full time manager, an assistant manager, supervisors, and employees; the business will work on a hierarchical, but horizontal, structure in which the full time manager represents the highest level of management, the assistant manager is second in command, the supervisors supersede base level employees, and entry level employees work collaboratively with those in higher positions. For the full time manager position we will be looking for someone with extensive experience and expertise in restaurant management to make well informed decisions and drive the horizontal structure. The assistant manager will also have to have experience in restaurant management but not as extensively as the full time manager. For the supervisor positions we will be looking for mature middle aged adults that can productively deal with stress and make sure the tenants of our organizational structure are upheld by employees. Base levels employees will include three cooks and a janitor who will run the restaurant by providing customers with our food, maintain the facility, and exemplify proper customer service.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Total Revenue** | | 21,832,000 | 24,364,000 | 22,484,000 | 28,769,000 |
| Cost of Revenue | | 10,805,000 | 12,389,000 | 11,941,000 | 14,611,000 |
|  | | | | | |
| **Gross Profit** | | 11,027,000 | 11,975,000 | 10,543,000 | 14,158,000 |
|  | | | | | |
|  | Operating Expenses | | | | |
|  | Research Development | 1,159,000 | 1,457,000 | 1,501,000 | 1,935,000 |
|  | Selling General and Administrative | 5,109,000 | 5,412,000 | 6,082,000 | 5,838,000 |
|  | Non Recurring | - | - | - | - |
|  | Others | - | - | - | - |
|  |  | | | | | |
|  | Total Operating Expenses | - | - | - | - |  |
|  | | | | | |  |
|  | | | | | |  |
| **Operating Income or Loss** | | 4,759,000 | 5,106,000 | 2,960,000 | 6,385,000 |  |
|  | | | | | |  |
|  | Income from Continuing Operations | | | | |  |
|  | Total Other Income/Expenses Net | 107,000 | 200,000 | 126,000 | 110,000 |  |
|  | Earnings Before Interest And Taxes | 4,867,000 | 5,306,000 | 3,085,000 | 6,495,000 |  |
|  | Interest Expense | 127,000 | 135,000 | 105,000 | 113,000 |  |
|  | Income Before Tax | 4,740,000 | 5,171,000 | 2,980,000 | 6,382,000 |  |
|  | Income Tax Expense | 1,025,000 | 1,034,000 | 596,000 | 563,000 |  |
|  | Minority Interest | - | - | - | - |  |
|  |  | | | | | |
|  | Net Income From Continuing Ops | 3,716,000 | 4,137,000 | 2,384,000 | 5,818,000 |  |