

# Community Food Systems

Brian Tapp– ISU SBDC

January 12, 2018



## SBDC – Iowa Small Business Development Centers

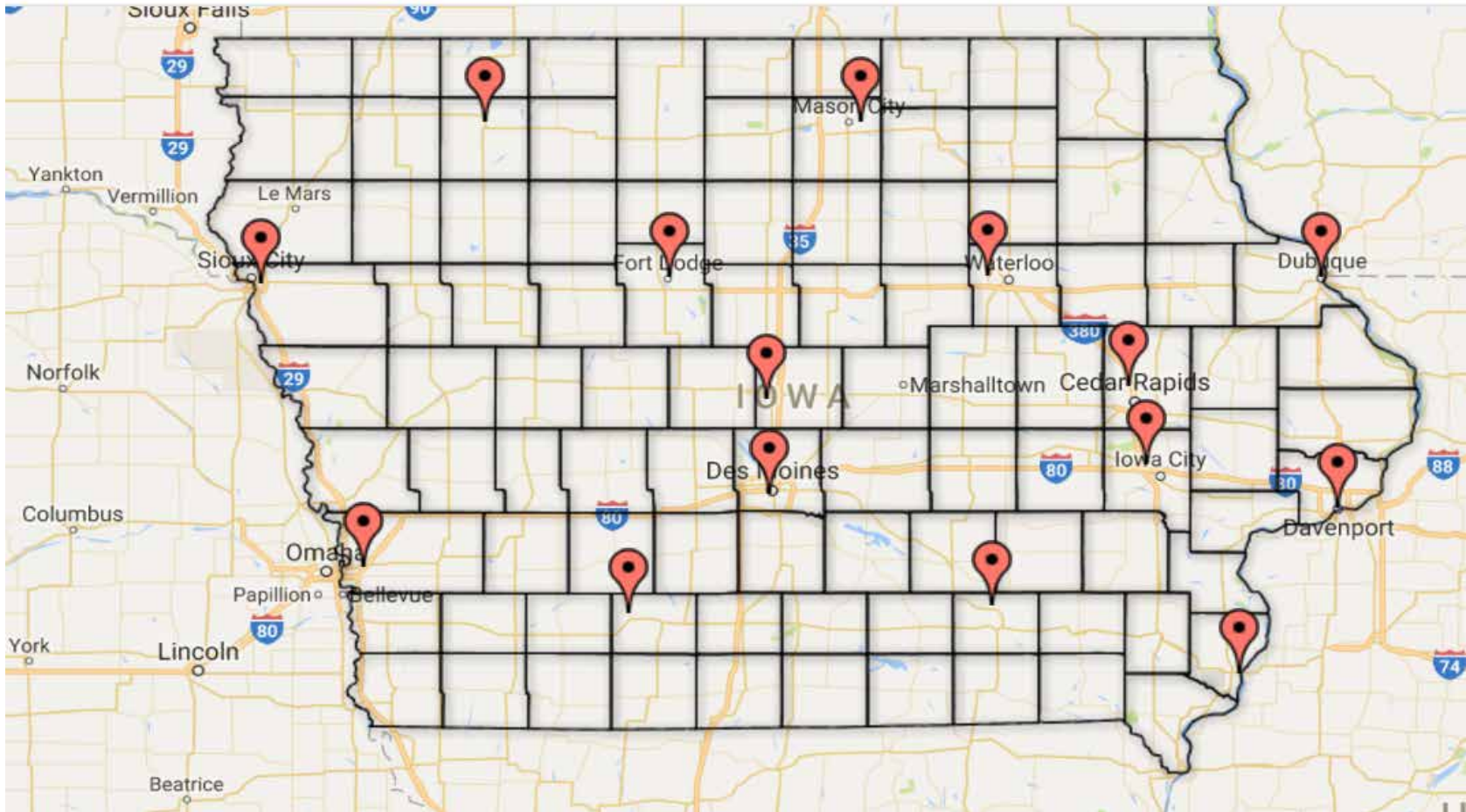
- *Our Mission*

To support the collaborative economic development of Iowa by providing entrepreneurs and businesses with individual consultation and educational resources necessary to assist their businesses to succeed.

- *Our Vision*

To be an innovative source for empowering business success in Iowa.

o 15 Iowa Regional SBDC Offices to Serve You



# One on One Business Counseling

- New Business Guidance
- Loan Proposal Assistance
- Market Research Services
- Cash Flow Projections
- **Human Resource Management**
- Strategic Planning
- Business Continuity Planning
- Accounting and QuickBooks
- Pricing
- **Writing a Business Plan**
- **Business Planning and Modeling**
- Financing Opportunities
- Export Assistance
- Business Succession Strategies
- **Business Growth Strategies**
- Disaster Recovery
- Market Planning and Strategy
- **Basic Business Start-up**



## Steps To Request SBDC Counseling

- Go to <http://www.iowasbdc.org>
- Click on "Request Counseling"
- Follow the steps to sign up
- An SBDC counselor will be in touch with you
- Initial appointments are one hour
- Can meet face to face, phone, or virtually

## NAICS Code

- North American Industry Classification System
- <https://www.sba.gov/contracting/getting-started-contractor/determine-your-naics-code>
- For our example we are looking for:

### Coffee Shops

[722515.01] Sector: Accommodation-Food Services

data applied from 23,072 establishments

[Show Industry Reports ▶](#)

## Business Items to Consider

- Location
- Traffic Counts
- Future Growth
- Income Levels
- Lease
- Exit Strategy



## Market Data

You may need more than one source  
Bizminer, IBIS World, Industrious CFO

### **Competitive Market Analysis**

release date: November 2016

[722515.01] Coffee Shops

Financial Peer Group: \$1-\$499,999

Market Peer Group: Industry-wide (all industry firms)

Market Area: Des Moines, IA Metro Area

<b>October 2016 Update</b>	
Establishments	50
Annual Market Volume	\$26,157,420
Avg. Annual Site Sales	\$523,148

# Coffee Shop – Des Moines Metro

Source: Google Maps



## Benchmarking

- Why benchmark?
- What's Important – COG's, Labor, Cash, Net Profit
- Tools – Industrious CFO, RMA, LivePlan
- Assists in developing realistic expectations

## Benchmarking Narrative

*Employment in the Food Services and Drinking Places industry group is projected to grow by 0.9% per year through 2022. Output is projected to increase by 2.1% over the same time period.* Source: Bizminer Market Analysis

*Specialty coffee represents 37% of the US coffee and the demographics indicate those 25-39 years of age are the largest consumers.* Source: *The Essential Guide to Pricing Businesses and Franchises, 2016 Business Reference Guide*

*Daily consumption of gourmet coffee beverages is also strongest among Hispanic-Americans. 48% of whom they drink gourmet coffee beverages daily as compared to 43% of Asian-Americans, 32% of Caucasian-Americans, and 23% of African-Americans.* Source: *The Essential Guide to Pricing Businesses and Franchises, 2016 Business Reference Guide*

## Benchmarking Narrative - Continued

*A coffee shop will never make enough money from coffee sales alone. Coffee may be the prime motivator for customers coming to the business but they must leave with multiple sales if you are going to be successful ..... As a target coffee should be no more than 40% of your weekly sales. Source: The Essential Guide to Pricing Businesses and Franchises, 2016 Business Reference Guide*

*While it is relatively easy to start a coffee house business, it can be a higher risk type of business due to the perceived simplicity of the business..... However understanding the unique dynamics of the coffee house business can be a challenge. Key items: Location, Wholesale Pricing, Quality, Differentiate from the Competition. Source: The Essential Guide to Pricing Businesses and Franchises, 2016 Business Reference Guide*

**Income and Expense- Profit and Loss \$**

	2011	2012	2013	2014	2015	2016q2
Business Revenue	380,191	437,219	371,636	315,891	363,272	417,762
Cost of Sales	161,049	184,900	157,388	126,104	157,079	169,319
Cost of Sales - Labor Portion	22,244	22,946	20,250	15,903	21,437	23,389
Gross Margin	219,142	252,319	214,248	189,787	206,193	248,443
Officers Comp.	16,652	18,975	16,241	14,721	15,439	18,716
Salary-Wages	57,903	66,064	56,526	51,459	54,636	66,341
Rent	30,986	35,327	30,288	27,198	30,152	36,178
Taxes Paid	14,333	16,352	13,974	12,730	14,676	16,794
Advertising	6,387	7,302	6,243	5,970	6,975	8,355
Benefits-Pensions	2,889	3,323	2,824	2,938	3,487	4,261
Repairs	5,589	6,383	5,463	5,370	6,248	7,478
Bad Debt	76	87	74	63	73	84
Sales, General, Admin & Misc.	54,139	64,708	54,965	47,068	53,692	63,625
EBITDA	30,188	33,798	27,650	22,270	20,815	26,611
Amortization Depreciation Depletion	6,159	6,995	5,983	5,812	6,757	8,105
Operating Expenses	195,113	225,516	192,581	173,329	192,135	229,937
Operating Income	24,029	26,803	21,667	16,458	14,058	18,506
Interest Income	380	437	372	316	400	543
Interest Expense	2,623	2,973	2,527	2,274	2,761	3,509
Other Income	3,612	4,110	3,456	2,969	3,451	3,969
Pre-Tax Net Profit	25,398	28,377	22,968	17,469	15,148	19,509
Income Tax	3,810	4,257	3,445	2,620	2,272	2,926
After Tax Net Profit	21,588	24,120	19,523	14,849	12,876	16,583
Discretionary Owner Earnings	44,399	50,090	41,747	35,382	35,072	43,404

## Realistic

- It's important to provide realistic projections for each year
- In some cases it OK to demonstrate a loss in year one
- What's the net profit margin for coffee shops
- Remember
  - If you project high and don't meet expectations what are the impacts?
  - If you are conservative and exceed expectations what are the impacts?

## Financial Management

- My cousin's uncle's sister's brother
- Establish appropriate software to manage business – Point of Sale system
- QuickBooks, FreshBooks, Xero, Square
- Need to be on top of budget vs. actual
- Contract for services



## Resources

SBDC Starting A Business Checklist

SBA Starting a Business Guide

# Questions

?

## Contact Information

Brian Tapp, MA | *Regional Director*

---

**America's SBDC - Iowa**

Iowa State University, College of Business

1805 Collaboration Pl., Ste. 1330

Ames, IA 50010-9166

P: 515-296-7828

C: 573.979.3178

btapp@iastate.edu

[www.iowasbdc.org](http://www.iowasbdc.org)