

# Gastronomy Temple

Executive Summary

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## **GASTRONOMY TEMPLE EXECUTIVE SUMMARY**

### **I. Introduction**

This Business Plan is a detailed description of Gastronomy Temple proposal. The project's main objective is the creation of a premium shop that adapts to the needs to the customers, stepping away from the traditional shopping stores to make the entire experience more enjoyable offer a wide selection of international products from top gastronomies from all over the world, while at the same time, offering services to improve the customer experience.

We found that the combination of these products and the services we are offering creates an opportunity in the Spanish market. So far, all existing supermarkets and shops offer only their products, without considering the customer's experience and treatment.

All through the study is a detailed description of all areas and stages of the project, including, the Sector & Environmental Analysis, Marketing, Operations, Human Resources, Finances. Last but not least, the implementation plan of how and when it will all be developed and accomplished.

These aspects have been analyzed and put together to determine the final investment required to carry out this project and how profitable this project could be.

### **II. Business Plan:**

Our plan is divided in two main categories: products and services.

- ✓ Our products: Wide range of high quality products imported from their country of origin.
- ✓ Services: Our services make shopping easier for our customers. Some of our services are:
  - Advisors: Personnel specialized in our products, capable of assessing the customer on what they should buy and how to prepare delicious recipes with them.
  - Chef: Bookable Chef with international vision and ability to create recipes and menus for clients, in the comfort of their home. He will go to the customer's home and prepare the meal, when everything is done, he will pack up everything and leave everything spotless. This service will grant the customer more free time to get ready for entertaining and more time to spend with his / her guests.
  - Website: Offers the customer the opportunity to purchase our products and services from anywhere in the world at any given time. Also, the recipe section has a list of recipes created by our chef where the customer can purchase the products from the ingredient list. After the purchase, the groceries will be delivered to any address in Madrid.
  - Tasting Sessions: Every Sunday, GT will offer tasting sessions from a different part of the world based on creations done with our products to show the customers our selection and a taste of every product.
  - Takeaway Meals: Light meals prepared for our busy working customer that can only take short lunch times. The customer can choose to take the lunch with them or have it in our facilities.
  - Cooking classes: GT is going to offer you every weekend cooking class from all over the world.



### **III. Mission:**

At Gastronomy Temple (GT), we are dedicated to offering high-quality international products and great services to our customers.

### **IV. Stages of Development:**

Our business plan is a startup business; we have started this process from the very beginning, which is the Industry Analysis and is expected to begin operations, including imports, January 1st, 2012.

### **V. External Analysis:**

V.I Market: The Spanish Food Retail Industry had total revenue of \$130.5 billion in 2009, representing a Compound Annual Growth Rate (CAGR) of 4.5% for the period spanning 2005-2009.

-Market Trends: Everyday the customers' needs and tastes change. The market is becoming more demanding and health conscious. Lifestyles are a big part of this. Whether it is because of a health issue or a simple change in lifestyle, the demand for vegetarian, gluten-free, sugar-free products is increasing more and more.

-Market Size: Hypermarket, Supermarket, & Discounters represents the largest segment of the Food Retail Industry in Spain, accounting for 43.1% of the industry's total value. Gastronomy Temple falls in the Food Retail category of Foods and Drinks Specialists, which accounts for a 25,4%.

#### **V.II Competitors:**

Main Competitors: Some of our main competitors are specialty stores in Madrid, like the Gourmet Shop of the Corte Inglés, Sánchez Romero Supermarket, and Mallorca.

The Specialized Foods and Drinks have a size of 25,4% of the total market value.

Some of the main success strategies are:

- ✓ Marketing: Useful tool to understand the market and stay updated products and pricing policies, have an optimum planning for the use of the resources, clear distribution channels.
- ✓ Customer Services: The food and drinks market has already been highly explored; therefore, differentiation is a key factor for success. By providing well-trained staff, delivery services, cooking classes, takeaway meals, and chef services, Gastronomy Temple will create a new experience for the customer to enjoy.
- ✓ Organizational Structure & Management: It is easier for any company to achieve success when it is properly organized internally first, success from outside will come later.

V.III Distribution Channels: Gastronomy Temple will distribute its products and services through stores, website, cooking classes and catering services. In the future we will consider the possibility of expanding to other cities and/or countries. Establishing our shops in cosmopolitan areas. As well as, supplying four / five star restaurants and hotels.

V.IV Suppliers: Our suppliers will be international exporters of high quality products from all parts of the world. The amount of suppliers will increase as our demand for more variety in our products increases.



## VI. Sector Analysis:

### VI.I 5 Forces of Porter:

1. Barriers of Entry & Exit: In this market, the barriers of entry are medium because the initial investment required won't be so high, however, new competitors may arise because of this low investment.

The initial investment won't be so high due to the fact that we will rent the infrastructure, which is only between 350-500 m<sup>2</sup>. The investment in equipment and products will represent the largest part of the investment.

The barriers of exit are relatively low. Since our infrastructure will be rented, it is easy to just finalize the contract with the owners. Also, the fixed assets can be sold to any other company in the market because they are easily used in other businesses.

2. Potential New Competitors: New competitors arise everyday. The low barriers of entry and exit make it easier to enter this field. However, at this time, there aren't any direct competitors.
3. Customer Bargaining Power: Our business is providing a large range of products and services, that aren't offered by anyone else in the market. Because of the exclusivity we have the bargaining power over our customers.
4. Possible Competitor Response Strategies: Other companies with higher bargaining power against suppliers, for example, Corte Inglés, could easily steal our products and services, automatically giving them competitive advantage.
5. Supplier Bargaining Power: We have low bargaining power against suppliers because we are just entering this business. Also, there are a limited number of suppliers, giving us little room to choose from.  
There are two factors to consider: our future plans include expansion, and we are going to have much more experience in the market. This will increase our bargaining power.
6. Substitute Products or Services: Up until this point, nobody else is offering the same combination of products and services that we are offering, so there is little room for substitution from our customers to other businesses.

## VII. SWOT:

-Strengths: High quality of products from all over the world, wide range of services, strategic location of our shops, well trained and highly experienced staff and sustainable orientation.

-Opportunities: After we have succeeded with our first shop, we can expand, whether opening new shops, finding new niches, growing as suppliers or franchising. By doing this, we will ultimately increase tourism.

-Threats: Rise or modification of import taxes, worsening of the economic crisis, fluctuations in currencies, low margins of profits, Spanish population accustomed to the typical food, and; last but not least, the specialization of supermarkets into gourmet shops.

-Weaknesses: As we are new in this line of business, we have little experience in the market; there are only a few options for our establishments. Also, because we are new, we have no brand recognition, influencing the small bargaining power against suppliers.



### VIII. Strategic Aim:

In the short-term GT expects to achieve a position that gives us acknowledgement and great reputation in the gourmet industry. After gaining some experience, in a few years, we want to become a leading company in this market.

Our business is based on two main strengths: the quality of our products and services and customer satisfaction. High quality standards will be established since the first day. GT will be careful choosing the suppliers, as we want only the best products. Also, our focus on customer satisfaction gives GT the competitive advantage of facing clients with a completely different way of presenting the products and taking care of our customers.

### IX. Operations Plan:

Gastronomy Temple is an international based company specialized in selling products from the world's top gastronomies as well as offering services that make the shopping and dining experience more enjoyable for the customer. Our business model is detailed below:

-The shop: Gastronomy Temple imports high quality products as well as . Our stock includes 400 different references from the top ten gastronomies in the world. They are represented below, along with some product examples:

- France, 12%: Foie Gras, Olives, Sauces, Wines.
- Russia, 10%: Caviar, Vodka, Cognac, Berries, Honey.
- Latin America, 17%: Coffee, Fruits, Sauces, Desserts.
- USA ,15%: Soft drinks, Cheese.
- China, 10%: Seafood, Spices, Sauces.
- Italy, 13%: Wine and Limoncello, Tomatoes, Pasta, Olive Oils.
- India, 8%: Spices, Apple Licor, Rice.
- Spain, 15%: Wine, Olive Oil, Crude Meat: Chorizo, Lomo, Ham.

-Takeaway: As well as offering our products by unit, Gastronomy Temple will provide the option of selecting meals from pre-established menus and the possibility of just purchasing the meal or dining inside our facilities in a space appropriately accommodated for the customers. The menu will have a wide variety of products unifying the gastronomies for people and their preferences. Whether an employee with short lunchtime or the international tourist, the menu will have something for everybody.

-Chef: Another service that we offer is a trained chef that is capable of cooking recipes from any gastronomy supplied by our shop. The Chef and the Client will work together to create a menu for the occasion and later the chef will go to your home to prepare everything, when finished, the kitchen will be left spotless. This service is ideal for dinner parties.

-Internet: Gastronomy Temple has an easy to use website, where the customer can shop from the comfort of their home and have the products bought delivered by us. As well as a detail of the products offered, the website will include the possibility of reserving our chef of a special event, recipe ideas and their ingredient lists.

The space distribution for our establishment is the following:

Room	Number	Size	Function
Warehouse: -Refrigerated products	1	30 m <sup>2</sup>	Space required for the purpose of storage of



area. -Dry products area.			products.
Takeaway: -Meal Purchase area. -Lounge.	1	30 m <sup>2</sup>	Space for clients who fancy one of our products.
Public Restroom	2	15 m <sup>2</sup>	Sanitary purposes.
Retail Shop	1	305 m <sup>2</sup>	Space for the main operations purposes.
Kitchen	1	15 m <sup>2</sup>	Space to cook and prepare our take away orders.
Office	1	5 m <sup>2</sup>	Space for company staff.
Total space required	6	400 m <sup>2</sup>	

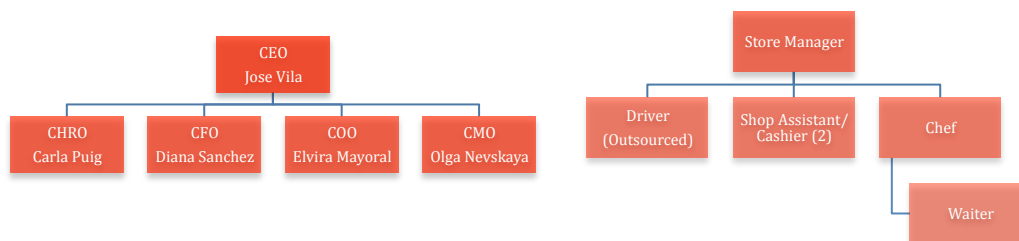
## X. Processes:

Our main processes are related to the supply and manufacture of high quality products to our customer. We are in permanent contact with suppliers in order to see how much the delivery of the products costs from countries like Russia, Italy, France, China and Japan to our location in Madrid, Spain. At the same time we will be in touch with Spanish suppliers of International products who are able to provide us a great portfolio of our products.

The administrative process takes place in Madrid following the legal procedures and paying special attention to different trade agreements between countries and Spanish legislation.

## XI. Human Resources:

Due to our long working hours, we will have to shifts of our personnel. Our employees will be granted bonuses starting the second year and all employees will have attractive Salaries & Compensation Plan in order to develop their professional careers. The Organizational Chart is the following:



## XII. Marketing Plan:

Segmentation and targeting process = population from Madrid  $\Rightarrow$  employed population  $\Rightarrow$  high-medium income population.

Madrid represents a 7% of the total population in Spain, accounting for a total of 6,458,684 people. After that we calculated how many of those 6,458,684 people are active population, which accounts for 3,415,500 people that is either employed or *actively seeking employment*. All those people are the ones who really interest us and the ones we are going to focus on, so that 3,415,500 minus a 16% that is unemployed are unemployed people; if we discounted it from the total we have 2,863,100 people who are the ones that interest us.



Next, we found that a 47% of the employed population has high-medium income (higher than 25,000 Euros), which brings our total target to 1,357,109 people who really are our potential target customer.

The gourmet shops, that currently operate, are small and medium business. There are just 3 volume players that have a network of shops: Club de Gourmet, Sanchez Romero, and Mallorca. Those three and Mercado de San Miguel possess a strong brand name.

When analyzing the origin of the products, we saw that the shops import products from a low number of countries. Most products offered are national and European delicatessens, but they products from more exotic countries like Asia, Africa, and Russia, you can only find in 16% of the shops. Comparing with Gastronomy Temple, we intend to import high quality food products from 5 continents.

Gastronomy Temple differentiates in the number of services offered. Our proper market research demonstrates that only 4% of the gourmet shop include restaurants or cafeterias, just 23% have delivery services, only 6% propose classes and just one shop (Club de Gourmet) has Chef at home.

In we confirm Gastronomy Temple with the competitors; we have found a new niche in the market. Our advantages are: we import products from a larger number of countries, provide various services and a unique experience.

#### **Promotion and Communications Plan:**

1. For reasons of price we concentrate on PR, Events and Promotions rather than in direct advertising.
  - ✓ We will create an enhanced web community of our web site placing valuable information: recipes, videos of cooking classes and etc.
  - ✓ We will distribute information in the blogs, clubs and social nets, guides and etc.
  - ✓ Through regular press releases and having good relationships with the journalists, we initiate publications in media.
2. As direct advertising for the first year we will put the ads in bus boards that circulate in the shop area: 12 months, 10 buses.
  - ✓ To finance our activities we will look for sponsors or partners that have the same customer profile. As we posses good space (our cafe) we attract partners to organize their events in it.
  - ✓ Tasting Sessions on a regular basis.
  - ✓ Special events: Invite celebrities to prepare cocktails for our guests.
3. We will look for win-win situations that have low cost of activity and high results:
  - ✓ With cross promotion we distribute our catalogue and get access to our partners' clients.
4. We will define projects that do not require high investments but through which we can reach new clients.
  - ✓ We will participate in special projects: La vida es Bella (catalogue distributed in EL Corte Ingles, VIP, etc.); Baguise (delivery company catalogue), American Express.
5. We will promote our brand in B2B:
  - ✓ We will participate in the Fair Club De Gourmets.
6. We will have Enterprise Resource Planning to regulate our relations with stakeholders, as well as, Loyalty programs for the VIP clients, celebrities and journalist.



### XIII. Finances

(For the numbers refer to the Excel File).

#### -Financing:

- ✓ External Resources: We will apply for an ICO loan, from La Caixa. One of the main advantages of these types of loans is that it doesn't have initial commission. The amount of the requested loan is 150,000 Euros. These will be amortized starting the first quarter with a yearly long-term interest rate of 6.297%. Besides that we will request some short-term loans to cover our assets for the first few years with a year interest rate of 6%.

For both cases, we have chosen a fixed interest rate because Spain's economic instability for the past couple of years pushes investors to be more conservative in what refers to financial policies.

- ✓ Internal Resources: The rest of our financing will come from our own savings, coming to a total of 150,000 Euros and the rest from business angels, accounting for a 230,000 Euros.

#### -Scenarios:

In order to study the profitability of our idea, we have established three possible scenarios: low case, base case, best case. The difference in each scenario is the variation of market share, which is the reduction in 20% from the base case and the increase of 20% for the best case.

##### 1. Profit & Loss:

- ✓ Our Sales Volumes are calculated from our Market Shares:

Year	Low Case	Base Case	High Case
2012	473,839.00 €	595,979.00 €	718,119.00 €
2013	991,613.00 €	1,243,270.00 €	1,494,927.00 €
2014	1,543,466.00 €	1,933,198.00 €	2,322,931.00 €
2015	2,128,914.00 €	2,665,164.00 €	3,201,413.00 €
2016	2,748,790.00 €	3,440,210.00 €	4,131,630.00 €

- ✓ We have also studied the weight of each of our costs regarding our sales, for more details see the excel file. It shows how our different costs affect our Profit & Loss Account. The ones that represent the highest changes in the fixed costs are salaries and rent, and the one with the most weight is the variable costs.

##### 2. EBITDA:

EBITDA increases in each scenario, it's clear that in all three scenarios, the EBITDA is positive. If we compare our EBITDA with other companies in the sector, ours is an EBITDA that falls under the proper levels. It's important to keep in mind that the EBITDA doesn't take into account the interest rates of the loans necessary to undertake the project, the recovery of the investment through amortization nor the income tax. This is why we analyzed the Net Profit:

Year	Low Case	Base Case	High Case
Q1	-74,868.00 €	-67,036.00 €	-63,120.00 €
Q2	-72,090.00 €	-64,139.00 €	-56,247.00 €
Q3	-65,358.00 €	-57,285.00 €	-49,273.00 €



<b>Q4</b>	-62,441.00 €	-54,246.00 €	-42,196.00 €
<b>2012</b>	-274,757.00 €	-242,205.00 €	-210,835.00 €
<b>2013</b>	-97,214.00 €	-12,211.00 €	72,702.00 €
<b>2014</b>	128,596.00 €	275,463.00 €	329,228.00 €
<b>2015</b>	300,787.00 €	347,433.00 €	478,367.00 €
<b>2016</b>	249,493.00 €	520,345.00 €	690,287.00 €

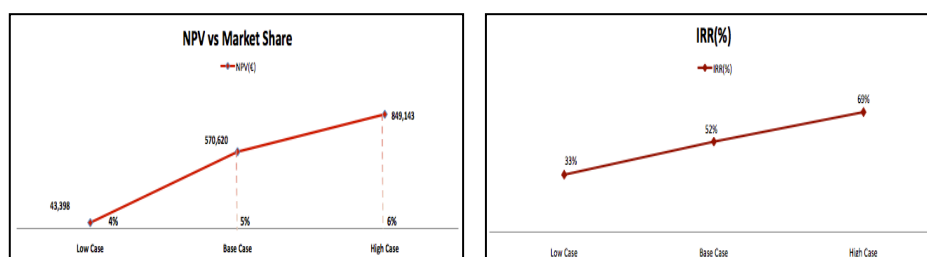
In the Low Case, Gastronomy Temple has loses until 2014. After that, we will distribute Retained Earnings, equivalent to 30% to all stakeholders, and 70% will be kept in the company for future investments like new lines of business, whether supplying to other businesses, new shops, expanding to other countries.

### 3. Cash Flows:

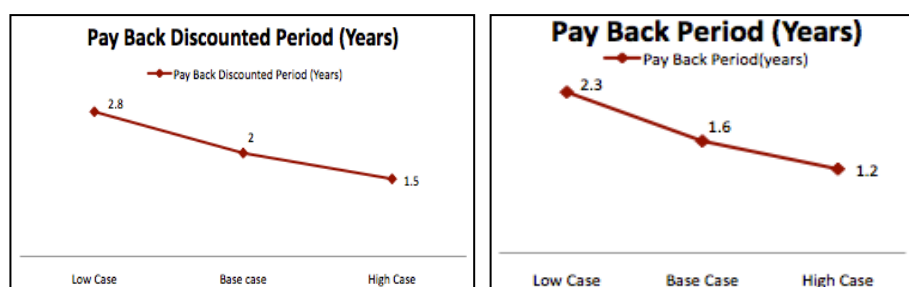
CASH FLOWS	C0	C1.1	C1.2	C1.3	C1.4	C1	C2	C3	C4	C5
<b>LOW CASE</b>	-268.585	-88.125	-58.828	-48.522	-47.428	-242.904	118.242	278.382	455.298	512.473
<b>BASE CASE</b>	-268.585	-75.096	-51.195	-40.888	-39.795	-206.973	229.711	427.667	524.223	706.919
<b>HIGH CASE</b>	-268.585	-68.581	-40.863	-33.254	-25.646	-168.344	338.629	499.325	677.436	900.455

Cash flows are a representation of the company's liquidity. Profitability doesn't mean liquidity. These numbers will give us the calculation of the Net Present Value and the Interest Rate of Return. In the number shown, there is no problem with liquidity.

In order to accept a project, the Interest Rate of Return must be higher than zero and the Net Present Value must be positive, otherwise, project must be rejected. If we consider these factors, our project is acceptable in all three scenarios; this is shown in the graph below.



As well as, helping us calculate the IRR and the VPN, the cash flows are necessary to calculate the payback and the payback discount period.



### Ratios:



## Economic analysis:

- Breakeven:

It is a technique for which identifying the point where the total revenue is just sufficient to cover the total cost.

Low case: The break even is reached at the end 2014

	Q1	Q2	Q3	Q4	2012	2013	2014	2015	2016
NET SALES	91.605	106.872	137.407	152.675	488.559	1.006.627	1.558.930	2.144.998	2.765.678
BREAKEVEN (NET SALES)	382.254	374.303	364.336	361.007	1.474.444	1.137.869	1.010.521	1.061.503	1.118.782
SALES	87.925	103.192	133.727	148.995	473.839	991.613	1.543.466	2.128.914	2.748.790
BREAKEVEN (SALES)	385.934	377.983	368.016	364.687	1.489.164	1.152.884	1.025.986	1.077.586	1.135.670

Base case: The break even is reached at the beginning of 2014

	Q1	Q2	Q3	Q4	2012	2013	2014	2015	2016
NET SALES	122.140	137.407	167.942	183.210	610.699	1.258.284	1.948.663	2.681.247	3.457.098
BREAK EVEN (NET SALES)	368.611	364.336	358.342	356.160	1.444.029	1.129.496	1.006.673	1.058.472	1.116.193
SALES	118.460	133.727	164.262	179.530	595.979	1.243.270	1.933.198	2.665.164	3.440.210
BREAK EVEN (SALES)	372.291	368.016	362.022	359.840	1.458.749	1.144.511	1.022.138	1.074.556	1.133.081

High case: The break even is reached in 2013

	Q1	Q2	Q3	Q4	2012	2013	2014	2015	2016
NET SALES	137.407	167.942	198.477	229.012	732.839	1.509.941	2.338.396	3.217.497	4.148.517
BREAKEVEN (NET SALES)	364.336	358.342	354.340	351.478	1.424.638	1.124.010	1.004.133	1.056.466	1.114.477
SALES	133.727	164.262	194.797	225.332	718.119	1.494.927	2.322.931	3.201.413	4.131.630
BREAK EVEN (SALES)	368.016	362.022	358.020	355.158	1.439.358	1.139.024	1.019.597	1.072.550	1.131.365

- ROA: This compares the profits obtained by the company with the sum of its assets, and therefore, measures the efficiency of the company in the use of its resources.

ROA	2012	2013	2014	2015	2016
Low case	negative	negative	0,17	0,41	0,34
Base case	negative	negative	0,35	0,31	0,33
High case	negative	0,11	0,32	0,33	0,34

In the three scenarios, we start to generate earnings from our investment in 2014.

- ROE: Relates the profits obtained by the company with the resources provided by the members showing the return that they receive, once the interests of the external sources have been satisfied.

ROE	2012	2013	2014	2015	2016
Low case	negative	negative	0,25	0,42	0,36
Base case	negative	negative	0,42	0,39	0,41
High case	negative	0,16	0,42	0,43	0,43

The figure overall shows an increased in the ROE through the years.

## Financial Analysis:



**Liquidity:** It is the ability of the company to meet its debts and obligations in the short term

- *Acid test:* it gives a clearer picture of the company's liquidity, since it removes the stocks from current assets, which are, in general, least liquid and hardest to realize.

In the lower case we start to be liquid from the 2015<sup>th</sup> on, in the base case from 2014<sup>th</sup> on and in the higher case from the beginning.

It is important to say that even though we are not profitable the first quarters it is not presented any problems of liquidity.

- *Average payment period* and payment supplier is 30 and 90 respectively.

- *Working capital:* It is a measure of both a company's efficiency and its short-term financial health. The behavior of this ratio in the three scenarios is mostly positive, although in the low case we have a negative working capital in 2013 and 2014 accounting for 138.111€ and 34.631€ respectively and in the base case during 2013 accounting for 21.057€, but we successfully overcome this situation in the following years.

- *Net operating funds:* It is usually a negative figure due to the debt kept with the suppliers, this is something that normally happens in this kind of sector.

**Solvency:** Measure the capacity of the company to meet all its obligations whenever become due. If the result is greater than 1, this shows that the real assets are greater than the outside funds and therefore the company is solvent. If the value is less than 1, there is no guarantee that the creditor will recover the debt.

Solvency	2012	2013	2014	2015	2016
Low case	0,81	0,60	0,77	1,03	0,88
Base case	0,55	0,50	1,02	1,45	1,95
High case	0,60	0,67	1,40	1,85	2,36

**Gearing:** It is used to study the structure of the various components of the liabilities, the company's sources of finance. It's obvious that the first years we are going to depend on external resources, what is seen in the numbers higher than one this situation will be kept until 2014 in the two first scenarios and 2013 in the last one

Gearing	2012	2013	2014	2015	2016
Low case	1,18	1,18	1,52	0,95	0,52
Base case	1,10	1,10	1,21	0,57	0,51
High case	1,02	1,02	0,77	0,56	0,49

#### XIV. Conclusion:

After finalizing the market study, we have found that this business can be very profitable after a couple of years. The success factors involved include our operations and logistics, an excellent marketing campaign, proper use of our finances, but especially, focusing on our customers and what we offer them. This refers to the products, our state-of-the-art facility, services, loyalty and overall experience.

