

Sauder School of Business  
The University of British Columbia  
MBA Full-Time Program 2004



***Project 2:  
Business Plan***

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Team 22

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**sprouts**  
an initiative of your UBC Food Co-op

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## **I. Executive Summary**

Sprouts is the full-time storefront of the UBC Natural Food Co-operative. It is located in the basement of the Student Union Building (SUB), the busiest building on campus. Food sold in the store is exclusively organic and fair trade. The store is student-run, and not-for-profit in the sense that making profits is secondary to its social purpose of promoting sustainable food systems. It has been trading since September 2004.

### **Services**

Sprouts offers customers an appealing selection of organic and fair trade food at reasonable prices. The store is attractively decorated and supported by friendly staff. Products in the store range from bulk ingredients to organic snacks and fresh produce from the UBC Farm. The store is unique in being the only specialist organic food store in the UBC campus area. Its location at the heart of the university is convenient for lunches and users of the nearby bus loop. Interest in organic food is strong and Sprouts looks set to benefit from market growth rates of nearly 20% per annum.

### **Market**

The UBC campus has 7,000 residents, 42,000 students, and 11,000 faculty and staff. More than 8,000 people visit the SUB building each day. Since the store's foundation membership of the UBC Natural Food Co-op has grown from 260 people to over 800. Although 80% of students responding our survey expressed an interest in organic food, over 40% of them were not yet aware of the store's existence. The potential to grow sales through marketing is large.

### **PROFITABILITY AND CASH FLOW**

As a student organization, Sprouts is tax-exempt and enjoys free rent and interest-free financing from the Alma Mater Society (AMS). Costs are further reduced by volunteers and inexpensive student labour. In its third month of operation Sprouts is poised to break even, and positive cash flow is less than four months ahead. If Sprouts

can grow sales by 20% from November's level, and increase gross margin by two percentage points, the store should be able to achieve a return on sales of 7% even after employing another part-time staff member.

## **Management**

Sprouts is managed by dedicated student workers, including some from the Sauder School of Business.

## **Specific Recommendations**

Our analysis makes the following specific recommendations to Sprouts management:

- There should be co-ordinated marketing campaigns every January and September, and continuing promotional activities throughout the year.
- The store should boost profitability by selling more high-margin products such as bulk nuts and fruits.
- Sprouts should bolster its snack food range and begin offering hot snacks such as organic soup.
- The store should monitor inventory levels daily in order to introduce the News Vendor Model next year.
- Sprouts should not attempt to grow its business by cutting prices.
- In order to achieve financial security, Sprouts should aim to grow sales by 20% from November's level and increase gross margin by 2 percentage points by May. It should then seek to maintain sales at this level in order to generate cash and not outgrow its premises.

## II. THE INDUSTRY AND THE BUSINESS

### A. THE INDUSTRY

Since 1990 Canadians have become more conscious about health and the environment. Many have turned their attention to organic food. Although there is no direct evidence that organic food is better for health, many Canadians believe that organic products are better in taste, quality, and nutritional value.

The term organic refers to agricultural products that are farmed in a socially responsible way. No chemicals (pesticides, fertilizers, antibiotics, or hormones) are used. A variety of herbs, grains, vegetables, fruits, and meats are produced organically but their production is usually more expensive owing to lower yields. Farmers must be certified by organizations such as the Canadian Organic Advisory Board.

The Canadian organic food market grew by 19.4% in 2003 to reach a value of \$928 million. The compound annual growth rate of the market in the period 1998-2003 was 18.7%, increasing from a low of 17.0% in 1999 to a high of 19.6% in 2002. <sup>1</sup> Exhibit 1 illustrates recent trends. The largest value segment is Meat, accounting for 39.4% of the market, followed by Dairy, with 18.0%. Exhibit 2 illustrates segmentation.

Canadian organic retail sales are expected to grow around 20 per cent a year to \$3.1 billion in 2005. The industry aims to increase its share of total food sales (currently 1%) to 10% by 2010. <sup>2</sup> The organic food industry is competitive. Outlets can be grouped into three categories (see Exhibit 3): mass market outlets (49% of sales), health and natural food stores (48%), and farmers' markets (3%).<sup>3</sup>

Stores compete mainly through differentiation. Each store where organic products are found each has a "personality" defined by its format, appearance, product variety, and relationship with customers. Organic products typically come with less packaging than non-organic products, have shorter shelf lives, and sometimes less visual appeal. This leads to high holding costs and intensifies competition for customers. There are no strong product brands at present.

Consumers fall into three groups. Regular buyers (18% of all food consumers) consume organic products because they believe they are better for health and the environment. They are informed about organic farming

and fair trade, and are willing to pay higher prices for organic products if they are available. Occasional buyers (22% of all food consumers) are undecided about the benefits and more price-sensitive. They are likely to buy non-organic products if they are cheaper and more convenient. Occasional buyers have some information about organic and fair trade issues but might not completely understand the implications. The remainder of food consumers is not very interested and might not be aware of the existence of organic or fair trade products. British Columbians account for 13% of the Canadian population but 30% of organic food consumers.<sup>4</sup>

Fair trade refers to a system of distribution that ensures farmers get a fair price and encourages more egalitarian and sustainable production. International bodies such as TRANSFAIR and FLO offer certification to maintain standards. Fair trade products may or may not be organic.

The organic food store industry is still in a high growth phase and barriers to entry are low. Exhibit 4 shows the five forces model of industry attractiveness.

## **B. THE BUSINESS AND THE CONCEPT**

Sprouts is the full-time storefront of the UBC Natural Food Co-op. It sells a variety of organic and fair trade foods and groceries and is located on the lower level of the Student Union Building (SUB). The store is staffed and run by students and has been trading since September 2004.

The aim of the business is to build sustainable food chains by promoting organic and fair trade food. Sprouts is “not for profit” in the sense that making profits is secondary to its social purpose. In addition to selling food, the store keeps a lending library of reading materials and has held numerous educational sessions about the benefits of organic and fair trade products. Educational activities will continue but will henceforth be funded directly by UBC Natural Food Co-op.

The store’s fixtures and premises were built with support from the Alma Mater Society (AMS) and The UBC Campus Sustainability Office. As a venture of a student society, Sprouts is required to charge membership fees to people who shop there. Shoppers are charged \$2 on their first purchase at the store, giving membership of the UBC Natural Food Co-op for one year.

The UBC Natural Food Co-op was founded in 1997 and is collectively owned and democratically controlled by its members, mainly people who study or work at the university. Membership was flat at around 60 members until 2003, when the co-operative started hosting Sustainability Networking Nights and building partnerships with the Dean of Agricultural Sciences, AMS, the Government of Canada, and Katimavik (a student exchange program). By late 2003 the co-operative was holding weekly markets in the SUB concourse and had 253 members. Since the foundation of Sprouts membership has grown to over 800 members.

### **C. PRODUCTS**

Sprouts offers a variety of ecologically friendly products to fulfill numerous needs. Organically-grown and fairly-traded food products include fresh produce, fruit, baked goods, breads, dairy products, soy products, frozen food, bulk food, baking supplies, canned foods, chocolate, tea, coffee, and condiments. Non-food items include biodegradable cleaning and personal hygiene products. The product selection is outlined in Exhibit 5.

### **D. GROWTH STRATEGY**

The UBC Natural Food Coop set some ambitious goals for the year 2005 assuming it would considerably increase its customer base with the opening of Sprouts. Its aspirations included:

1. Increase staff salaries from the current \$10/hr to \$15/hr, in-line with unionized jobs on campus, to provide adequate compensation to the store's labor force and increase its motivation and encourage performance.
2. Reduce retail mark-up (currently at an average 33%) to the lowest possible in order to stimulate demand for organic and fair-trade foods.
3. Support the UBC Farm in scaling up production and developing a wider selection of produce.
4. Support rural communities in less industrialized countries, by establishing a Rural People Support Fund, and donating \$1 of each UBC Food Co-op membership to a sustainable development project/rural community/co-operative in Latin America, Africa, or South-East Asia.

The above aspirations will have to wait until the store stabilizes operations. There are currently two main concerns. The first is that although management strongly believes there is a large potential market for organic products on campus, Sprouts has been slow in penetrating it. The second pertains to the sustainable operation of the store. The store enjoys a low cost structure because of its co-operative constitution and the favorable treatment it receives from AMS and others. Management knows that without these benefits the store's continuance would be jeopardized. Attempting to grow the business too quickly by slashing prices would put pressure on cash flow and could cause destructive competition with AMS food outlets.

We therefore propose that Sprouts should grow its business through marketing and improve margins through attention to product mix. The store is unlikely to be able to survive in a location where it has to pay rent, and so cannot outgrow its premises without more generosity from AMS. It should therefore aim to achieve profitability and sustainable positive cash flow by the end of the academic year, and maintain this level of operations in subsequent periods.

### III. MARKET RESEARCH AND ANALYSIS

#### A. CUSTOMERS

Our target customers are UBC students, staff and faculty who are interested in organic food by shopping at a small-scale, community-based Food Co-op store.

#### B. SURVEY ANALYSIS

- The market sample was carefully selected to cover a variety of the campus population. Refer to
- 
- Exhibit 11 for the criteria used for the survey.
- Margins of errors E (for 95% confidence) =  $\pm 7.76\%$  ( $E = \frac{1}{\sqrt{n}}$ , here  $n = 166$ )

Under this project's conditions there was no choice but to use the available data. The survey is still on-going.

- Approximately 80% of students are interested in organic food and 43% of these students who are interested in



organic food have never heard of "Sprouts". The top three categories of interest are snacks, fresh produce and ingredients. See Exhibit 12.

### **C. MARKET SIZE AND TRENDS**

There are 42,000 students in UBC. (There are 11,000 faculty and Staff which are not included in our survey). Based on the survey results, 80% or 33,600 students are somehow interested in organic food. The interest for organic food is growing and the market is constantly changing (students graduate and new students come in)

### **D. COMPETITION AND COMPETITIVE EDGES**

- As a member of the AMS, Sprouts has to ensure it does not interfere with the other AMS businesses.
- The SUB mainly offers a variety of fast food stores and coffee shops (Exhibit 6). Some outlets serve organic items however Sprouts has an advantage over them because they offer a wider variety of products. Organic stores off campus are a threat but "Sprouts" is located conveniently for students' immediate needs and for those who live on campus.

### **E. ESTIMATED MARKET SHARE AND SALES**

- Based on the projected marketing campaign it is estimated that the annual sales growth will be 2% once the operations stabilize in September 2005. See Exhibit 14 for monthly sales growth for the current year and Exhibit 15 for that annual sales growth over the next three years.
- The sales growth rate of each product category from September to October 2004 can be observed in Exhibit 15. The top four categories with the largest growth rates are farm food, fair trade, bulk food and Dairy. The popular goods in Sprouts store are shelf foods, bulk food, fair trade and produce.

### **F. ONGOING MARKET EVALUATION**

Thorough analysis of the sales data in addition to periodic surveys should allow the management team to assess the market trends. Furthermore, the sales people should ensure good communication and always get feedbacks from the customers in store.

## **IV. THE ECONOMICS OF THE BUSINESS**

### **A. COMPONENTS OF GROSS MARGIN**

Exhibit 7 shows our calculation of the components of gross margin, which is based on unit costs and October's till record. Sprouts also has an "open" till category for special and discounted items. Gross profit from this category is assumed to be zero, except in the case of farm produce, where the store's estimate is used. We draw no distinction between gross margin and contribution margin because the only variable cost omitted is small (Ziploc bags and labels), and because the store's size means that inventory levels cannot change quickly.

Mark-ups by product category range from 6% (vegetables) to 72% (pasta), with an overall level around 33%, implying a gross margin of 25%. Cakes and wraps, and the nuts, seeds, and fruits category, were the two largest gross profit contributors. Snacks and convenience foods as a whole provide around half of gross profits.

### **B. OPERATING COSTS**

All other costs are fixed for current staffing levels and a given number of opening hours, and total around \$2,800 for a full 20-day month. Profitable operation would not be possible without assistance from the Katimavik intern (worth around \$1,700 per month), voluntary work from students, and free rent, although the store could soon afford another paid part-timer. As part of a student society, Sprouts can also fund equipment and inventory interest free through its AMS credit line, and is exempt from taxes.

Thanks to the above special advantages, the store is already close to breaking even and will likely turn a profit for November, despite some equipment failures. On our estimated gross margin for November's sales mix (26%), we estimate breakeven sales at \$10,700 (see Exhibit 8), and at \$12,000 on a 27% gross margin if a part-time worker is added at \$450 per month in the spring.

### **C. CASH FLOW AND PROFIT POTENTIAL**

Sprouts is likely to start producing positive net cash flow from February or March, when return on sales could exceed 7%. In the meantime there will likely be some further spending on equipment and increased inventory. We believe that the final level of profitability is attractive, especially relative to capital employed (see Exhibit 9),

and will be sustainable so long as the cost advantages persist, and provided Sprouts can establish a distinct customer base before the arrival of Safeway on east campus.

## **V. MARKETING PLAN**

### **A. PAST AND CURRENT MARKETING**

Marketing to date has been minimal. Refer to Exhibit 16.

### **B. MARKET SIZE AND TRENDS**

The store has many opportunities to attract customers through intelligent and creative marketing. With a total student population (full-time and part-time) of over 42,000 persons, combined with a faculty and staff of over 11,000 persons (Planning and Institutional Research, University of British Columbia. [www.pair.ubc.ca/studies/index.htm](http://www.pair.ubc.ca/studies/index.htm)), UBC campus is a sizeable potential market. Vancouverites in general are amongst the most inclined in Canada to purchase organic and fair-trade goods, and educated people are more likely to be interested in environmental issues than the general population. As already mentioned in the Industry section, the organic food market is currently growing by 20% per year. The fact that little marketing has yet been done suggests significant potential for sales growth at Sprouts.

### **C. OVERALL MARKETING STRATEGY**

The overall marketing strategy should be kept inexpensive and simple. It is important to note that because of the Co-op structure the ultimate goal of the store is not profit. The objective of the Co-op is to educate the public about organic foods, fair trade products and sustainable food systems by creating a feeling of belonging to a great movement. The intention is to capture a niche of customers who are interested in supporting small-scale, community-based and socially conscious initiatives. The marketing strategy should reflect this.

#### **Dimensions for Segmentation**

Based on our primary market research and information obtained from AMS management and from university offices, the following was determined:

Geographic - The relevant geographic area is the University of British Columbia. This includes students, staff and faculty who live on campus and those who are commuters. Surrounding residential areas are outside the catchments area of the store.

Demographic - The demographics of individuals in this area is wide spread. The average ages of undergraduate students, masters students and doctorate students are 23 years, 29 years and 32 years respectively, with over 78% of staff over the age of 40 years. 122 different countries are represented with a variety of religious beliefs. The university is capable of accommodating 7,000 residential students, families, faculty and staff, and is usually at 100% capacity from September until May.<sup>5</sup>

Psychographic and Behavioural - The SUB building gets 8,000 visitors per day. The majority of users see the SUB as a place to “hang out”, eat, get snacks, and check out market vendors. Many non-resident students regard the building as their home base while on campus. Staff and faculty use the SUB mostly for food. A significant number of commuters walk past the SUB every day en route for the bus loop. Survey respondents cook 3.6 days a week on average. Approximately 20% of respondents were not interested in organic foods and fair trade products. Of interested respondents, 54% expressed an interest in organic snacks, and 67% in fresh produce. Most significantly, 43% of respondents who expressed an interest in organic food had not heard of “Sprouts”. Finally, around 25% of the university market changes every year as students graduate and new classes enter.

### Target Market

The primary target market will be the population that already has an interest in organic and fair trade products and uses the SUB often. The secondary target market will be those who have an interest and walk past the SUB regularly. Staff and faculty spend less time in the SUB than students but are still included in the two target markets. In terms of eating habits, the targets will mainly be non-cookers and advanced self-caterers.

### Positioning

The store's positioning will heavily leverage the fact that it is the only organic store on campus. It will position itself by the attributes of its products compared with competitors. The main reason people use the SUB building is for food, especially lunch. Although the SUB is full of attractive and inexpensive food outlets, providing a strong range

of snack items is essential, we believe, because of the reason people visit the building. Once interested people visit the store for snacks they will see the other products available, such as ingredients and groceries, and through speaking with friendly staff learn more about the benefits of organic food. Sprouts will therefore position itself as the only 100% Organic Store on Campus, entirely student run, offering convenient organic snacks, lunch items, and fresh produce from the UBC Farm.

**Value proposition** - "Visit the only 100% organic and student run store on campus, supporting sustainable food systems and educating the public. We offer the convenience of the SUB and proximity to the bus loop for organic snacks, groceries, and a lifestyle."

#### D. IMPLEMENTATION STRATEGY

**Place** - The store's location in the basement of the Student Union Building is already decided.

**Price** - Prices must be similar to those at other organic retailers. Although the store is located some distance from competitors, own-price elasticity of demand at an individual retailer would be greater than 1. The store has no pricing power and must consider prices for mainstay items from a student budget perspective.

**Product** - With the emphasis on the environment packaging must be simple and not wasteful. The product range should be especially strong in the snacks and convenience items, and in fresh produce. To support its snack food effort, we recommend a venture into simple hot food – specifically, hot soup from its current supplier of frozen soup.

**Promotion** - Even though the market for organic goods is a niche, interested consumers are distributed widely through the population, making broad promotional activity necessary. Fortunately the university population concentrates naturally in certain areas, such as the SUB, dormitories, and class buildings. A co-ordinated marketing "blitz" is a priority because the visibility of the store is so low at present. Once the store gains visibility a more narrow promotional strategy, targeting interest groups, will be possible. Our specific recommendations are listed in the Marketing Schedule section. Lastly, the promotional program will have to be repeated every year owing to the changing student population.

## E. MARKETING SCHEDULE

### Co-ordinated Campaign for Next Semester

The following should be implemented in January and September each year:

#### 1) Advertising in Ubysey and/or The Point

Advertising in campus newspapers is a good way to promote the store to a wide variety of students across campus. The cost is significant but worthwhile in view of the store's low visibility. In addition, the store could perhaps get free advertising by providing a "weekly recipe" for the newspapers. Approximate cost: \$ 17.90.

#### 2) Website

The website can provide more information about products, operations, prices, and specials. In addition it can provide recipes and information about organic and fair trade products. This initiative should continue to be in place and the website address should be advertised outside the store.

#### 3) Class Announcements

Food Co-op volunteers can approach sympathetic teaching staff to make announcements in their classes (before or after class time). Writing the name, location, and a brief description of the store on the chalk board could be enough to spark interest. Approximate cost: free from volunteers, or \$10 per hour from paid staff.

#### 4) Clear and "Obvious" Sign Outside Store

Based on our market research many people have seen the sign for the store but have no idea what it does.

Putting a clearer sign outside indicating that the store sells organic foods, specifically snacks and lunch items, may attract more customers. A white board can be used to change comments week to week. Approximate cost: \$30.

#### 5) Pamphlets

In view of the store's environmental mandate, a conventional leafleting campaign is not appropriate. Pamphlets can instead be made available at the store with product information, store information etc. These pamphlets can be passed on to friends or classmates of Co-op users. Pamphlets containing price lists can also be distributed to departmental administration offices to attract staff and faculty to the store. Approximate cost: Under \$50.

### 6) Sandwich Board outside SUB

The store should have a colourful sandwich Board promoting its exquisite selection of organic and fair-trade foods at one of the SUB's main entrances. Furthermore, a person could walk around campus wearing a sandwich board to attract new customers. Approximate cost: The sign can be bought or made for around \$100.

### 7) AMS Posters

Promotional posters pasted around campus and on AMS bulletin boards. Approximate cost: \$25.

## **Year-Round Campaign**

### 1) Educational Events/Panel Discussions

The Co-operative has previously held and participated in speaker events to inform the public about organic and fair trade products. This initiative should be continued. In addition, Co-op educational workers can offer food and brief presentations to student societies with special dietary or political interests, such as environmentalists and religious groups. Approximate cost: Free from volunteers, or \$10 per hour from paid staff.

### 2) Summer Markets at the UBC Farm

In the summer, UBC Food Co-op has a table at the UBC Farm's weekly market. At the table pamphlets can be distributed and Volunteers can inform customers about the store in the SUB.

### 3) Sampling Tables outside SUB, Dorms, Apartment Buildings and Large Lecture Halls.

Approximate cost: Around \$100 for food, plus the loan of a table.

## **VI. OPERATING PLAN**

### **A. OPERATING CYCLE**

The store will follow the academic calendar by necessity. It will operate during the fall and winter semesters (September – May) and is closed during the summer semester due to lower traffic in the building. Store hours are Monday to Friday, 11:00am-6:00pm. Some product availability is seasonal. The fresh produce is ordered from the UBC Farm during the farming season and supplied by Pro Organics the remaining portion of the year.

## **B. LOCATION**

The store is located in the SUB, the most heavily used building on campus, close to the central bus loop. Hiring students allows Sprouts to benefit from lower-than-average hourly wages. Additionally, the store employs volunteers who are actively involved in the Coop. The store location offers a convenient place to work before, between, or after classes. By offering incentives and perquisites, management should be able to maintain low employee turnover.

Attracting traffic is a significant challenge owing to the store's location in a less busy part of the basement. Appropriate marketing and signs will be necessary (see Marketing Plan section).

## **C. FACILITIES AND IMPROVEMENTS**

The store is small in size (400 sq. feet) but adequate for current demand. It can accommodate up to 10 customers at a time. The location was donated by the AMS and Sprouts is not required to pay rent. Owing to this agreement, there is currently no possibility for expansion, but it is estimated that there is capacity for an additional 10% of inventory. The store has one freezer, one fridge, one display cooler, and several shelves to store the products. Apart from a soup kettle to serve the daily soup specials as recommended in the Marketing Plan section, we foresee no further large purchases of equipment.

## **D. HUMAN RESOURCES**

The store has 3 paid managers who are each on location around 10 to 12 hours weekly. The managers perform inventory checks and order products accordingly. One or two volunteers or paid staff helps the manager with the daily store operations which include the cash register, customer assistance, and cleaning. Additionally, every semester, Katimavik sends a high school student to Sprouts as part of its national youth voluntary service program. These students perform the same duty as regular staff for 35 hours per week with 20 other volunteers who work 2 hours per week for food discounts. Staff members generally enjoy the work environment.



## E. PROCUREMENT AND INVENTORY MANAGEMENT

Sprouts would like to deal with suppliers and local farmers directly, but suppliers and farmers often have prior exclusive agreements with distributors. As a result, Sprouts has no choice but to purchase from distributors (Exhibit 17) who can certify all their products as “organic”. Nevertheless, Sprouts manages to obtain a great variety of products for its members at competitive prices.

Store managers replenish inventory periodically, typically on a weekly basis. Most products are ordered for Monday and as a result the shelves of perishables are often empty by the end of the week. Exhibit 18 shows this trend. Sales are higher at the beginning of the week and decline as the week goes by. Customers seem to know when products are ordered and visit the store accordingly. There is a high probability that the store is losing revenues by understocking for fear of overstocking. However, to reach the sales level indicated in Exhibit 13, the store must improve its demand forecasts and restock appropriately. Most large local distributors have a lead time of 24 hours so Sprouts should have no trouble adjusting its inventory level as required.

During the coming year, the following systems of inventory management should be employed (see Master Schedule section for duration of the phases):

- Phase 1 - Continuous Review System: Assuming there is no fixed ordering cost, the inventory level for all products should be checked daily and orders placed every time the inventory for a specific product falls below a reorder point. It is important at this stage to maintain a minimum level of inventory across the product line in order to assess demand accurately. Throughout this phase, it is mandatory that staff perform accurate data entry daily in order to build a database to forecast demand for the second phase.
- Phase 2 – News Vendor Model: Based on the sales data compiled in the previous phase, calculate the optimal stocking level by determining the right balance between costs of overstocking and understocking.

## F. TRANSPORTATION

The suppliers servicing Sprouts are responsible for transportation, except for the UBC Farm which cannot always meet this demand. During the farming season Sprouts staff have to go and get the produce themselves.

## G. COST AND QUALITY CONTROL

Order sizes are too small to establish volume discounts with distributors. However, simple procedures can greatly contribute to saving costs. For instance, during the farming season, a volunteer cultivates vegetables at the UBC Farm and the produce sold at the store. Sprouts sells the farm's produce on consignment. By ordering long shelf-life items in larger volumes, staff can divide and package items in store to reduce cost per item. This procedure can be applied to many products sold in the store.

Quality control is performed daily. The check for fresh produce is based on product appearance. For products like cheese and yogurt, the decision is based on expiration dates and a policy of two days for the wraps.

## VII. MASTER SCHEDULE

The following is the proposed master schedule for the coming year. Note that a schedule of this type should be followed in future years, with strong marketing efforts in September and January to attract new customers.

### Month 1- January 2005

- 1) Send out news letter including employment and volunteer opportunities.
- 2) Hold a meeting with existing staff and management.
- 3) Train new staff and volunteers.
- 4) Start executing phase-1 of the inventory management process as specified.
- 5) Approach 10 different club heads and make a 5 minute speech at the clubs' meetings.
- 6) Go to all the faculty main offices and hand out pamphlets. Put up posters around campus (legally).
- 7) Make sign outside store making it clear that they serve organic snacks.
- 8) Make class announcements.
- 9) Place sandwich board by the nearest entrance.

### Months 2,3,4 - February , March, and April 2005

- 1) Send out news letter.
- 2) Hold at least one discussion or speaker event per month.
- 3) Sales target for April: \$17,200.

### **Month 5- May 2005**

- 1) Set up sample table outside the SUB for advertisement at the beginning of the month.
- 2) Make class announcements.

### **Month 6- June 2005**

- 1) Send out news letter at the beginning of month informing customers of summer closing and about the UBC Farm's Saturday Summer Markets.
- 2) Hold a final meeting.
- 3) Ensure enough staff for the following September before recruitment can be done.
- 4) Recruit and train staff to work at the Saturday Summer Market.

### **Months 7,8- July – August 2005**

- 1) Sell products at the Farmers' Market and promote the store by giving out pamphlets.
- 2) Plan strategy for the commencement of school.
- 3) Send out emails to members for voluntary and paid positions and to remind them about the store.

### **Month 9- September 2005**

- 1) Put up posters in buildings at the beginning of the month.
- 2) Advertising with a person wearing sandwich board. Walk around campus for 5 days from 11-2 pm.
- 3) Sample table outside SUB for a week from 11-4 pm at the beginning of the month. Hand out pamphlets.
- 4) Make 5 minute speeches at the beginning of some of the dorm and apartment first year "Floor Meetings".
- 5) Training and orientation.
- 6) Annual general meeting, elect new board.
- 7) Make class announcements.
- 8) Switch to phase-2 of the inventory management process. Use demand forecast.

### **Months 10,11- October - November 2005**

- 1) Send out news letter at the beginning of the month.
- 2) Hold at least one discussion or speaker event per month.

## Month 12- December 2005

- 1) Recruitment for January (if needed).
- 2) Training (if needed) mid way through the month.
- 3) Send out news letter at the beginning of the month.
- 4) Hold at least one discussion or speaker event per month.

## **VIII. RISKS AND CONTINGENCIES**

### **1. The accuracy of the market survey**

A significant portion of this business plan is based on a market survey that we conducted with the following population sample: Various AMS clubs: 31 respondents; UBC residences: 31 respondents; UBC MBA students: 45 respondents; Students in the SUB during lunch time: 59 respondents. A total of 166 students responded. However, despite targeting various population segments, the sample may not be large enough to represent demand for organic food on campus. The survey did not include any faculty.

### **2. The surge in traffic after a marketing campaign**

As mentioned in the Operations section, Sprouts can accommodate approximately 10 customers at a time. If Sprouts were to conduct a marketing campaign successfully, the store would have to be ready to welcome a new wave of customers and have an adequate inventory level.

### **3. Equipment malfunction**

The equipment that Sprouts owns was purchased used. Although most has warranty it could result in lost sales and inventory if it breaks down. For backup, Sprouts should enter an agreement with AMS or neighboring businesses to allow temporary storage of its perishables in their freezers or fridges.

### **4. Competitors**

As listed in Exhibit 6, there are several competitors in the organic food market, notably Capers on 4<sup>th</sup> Avenue and Granville Island Produce in the Village. The biggest threat in the near future comes from Safeway which is building a new store at the east end campus (ready in 2006). Safeway is expanding its "Organic Essentials" section. It is

therefore more essential that Sprouts build a strong line of snack foods to leverage its location. Sprouts cannot compete on price with Safeway which has a tremendous purchasing power.

#### **5. Change in relationship With AMS**

Sprouts is currently operating rent-free. The store should build the resources to continue operating in the event of a change in its relationship with AMS.

#### **6. Succession**

The current management has built the store from scratch and has a strong sense of ownership. It is important that their successors can acquire a similar sense of ownership and commitment.

### **IX. THE FINANCIAL PLAN**

Our planning horizon is dictated by the desirability of reaching a sustainable level of profitability before the start of the next academic year. Rather than projecting growth in future years, we assume a near-steady state in which the store is able to maintain sales at a similar level through marketing and not outgrow its premises.

#### **Income Statements**

Exhibit 9 shows the income statement for the past two months and our projections to May. The store's own income statements differ from ours because the AMS requires clubs to use cash-based accounting, expensing capital start-up costs, and because initial inventory estimates were unreliable. SG&A costs are based on the store's budget, plus an allowance for equipment depreciation, and an extra part-timer employed at \$450 from March. We assume higher advertising expenses in January for a marketing campaign, and extraordinary losses in November from repairs.

We assume that November's jump in sales is not repeated in December, and that the January marketing campaign does not offset back-to-school blues until February, after which sales grow more slowly. We also assume that the store can increase its gross margin by offering a greater proportion of high margin items such as bulk nuts, seeds, and fruits (see Exhibit 7).

## **Balance Sheet and Cash Requirements**

The store's large capital investments are complete. Working capital at the end of October stood at \$6,658 (see Exhibit 8), a higher figure than it might be because bills are submitted promptly to AMS and deducted from the credit line. The net cash outflow for working capital needs until May, on a crude pro-rata basis, could therefore be as high as \$4,000; however, the store's limited size means that Sprouts must necessarily increase order frequency, mitigating this effect. Furthermore, at time of writing Sprouts has received a gift of \$6,000 from VanCity. The store is therefore comfortably placed to grow and make small capital investments without exceeding its \$20,000 credit limit. Assuming that \$2,000 of the working capital does not vary with sales, as sales approach a steady state in April the monthly increase in working capital would use only \$500 of cash, leaving a net cash flow of around \$1,100. For the year 2005-2006, monthly cash flows averaging just \$800 could pay back \$7,200, or 42% of the current credit line. Although we believe cash flow is a non-issue going forward for the above reasons, the requisite "pro forma" cash flow and balance sheet forecasts are given in Exhibit 10.

## **Key Financial Conclusions**

In order to achieve a secure level of positive cash flow, it is desirable that Sprouts aim to raise its gross margin by two percentage points and grow monthly sales by about 20% between November and May (see Exhibit 9), while controlling costs. An extra part-timer can be employed in the spring to assist with more frequent deliveries and a busier store.

## X. APPENDICES

Exhibit 1 - Organic Food Industry Market Value and Growth

Year	Value (millions of dollars)	Growth
1998	394.7	-
1999	461.8	17.00%
2000	543.5	17.69%
2001	650.0	19.60%
2002	777.4	19.60%
2003	928.0	19.37%

Exhibit 2- Organic Food Market Segmentation

Category	%
Meat	39.4
Dairy Food	18.0
Bakery & cereals	14.4
Fruit & vegetables	10.2
Ready meals	3.4
Juices	2.9
Other	11.7

Exhibit 3 - Organic Food Market Share by Type of Outlet

Type of Outlet	Share (%)	
<b>Mass Market Outlets</b>		<b>49</b>
Supermarkets	44	
Other (drug stores, mass merchandisers)	5	
<b>Health and Natural Product Stores</b>		<b>48</b>
Natural Food Supermarkets	31	
Natural Food Stores	12	
Natural Food Cooperative	3	
Supplements	2	
<b>Farmers Markets / Community Supported Agriculture programs</b>		<b>3</b>

Exhibit 4 - Porter's Five Forces– Organic Food Stores

Bargaining Power of Supplier  
(Low)

Supplier concentration is not relatively high when compared to the number of organic food stores. Volume is important to suppliers but since there is not much product differentiation their bargaining power is not significant. The costs associated to switching suppliers are also low. There is little freedom to raise prices. There is a moderate threat of forward integration because organic farmers can sell their own products directly to the final consumer.

Entry Barriers  
(Low)

Economies of scale available to stores that purchase high volumes of products. Very little product differentiation. Low capital requirements. Moderate access to distribution channels. No brand identity required to sell organic products. The Government regulates the standard procedures that organic producers must follow. No specific technology or proprietary learning curve associated to the industry.

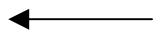
Suppliers



**Industry Competitors**

Mass markets outlets  
Health and natural food stores  
Farmer markets

Substitutes

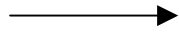


Threat of Substitutes  
(High)

Occasional organic product consumers are price sensitive and may switch to non organic products.

Consumers will often prefer the convenience of buying goods at a supermarket (one-stop purchase).

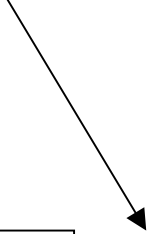
Potential Entrants



Buyer Power  
(High)

The majority of organic products are standard and undifferentiated. Consumers are price sensitive, only a small proportion of the population is willing to pay for the higher price of organic products. Buyers are not identified with specific organic store or brand; they can shop for the same type of product in different stores.

Buyers



Rivalry Among Competitors  
(High)

Rivals are diverse in sizes, strategies and "personalities." Industry concentration is low when compared to the market it serves. Organic stores differentiate from the rest through product selection and variety. The industry is expanding so the participating firms are also trying to expand. High holding costs and highly perishable products intensify competition for customers. Customers can freely switch from one organic store to another. Competitors can freely enter and exit the industry.



Exhibit 5 – Sprouts Product List

<p><b>BULK FOOD</b></p>	<p>rain. quinoa millet OATS: old fashioned quick RICE: basmati brown short grain brown basmati white barley PASTA: kamut white penne popcorn (yellow) LENTILS: green french red chickpeas kidney beans black beans GRANOLA: apple CEREAL: oatly bites heritage hot cereal (variety8pak) sugar FLOUR: unbleached brown pancake mix cocoa powder hot chocolate almonds (non-organic) cashews (non-organic) flax seed raisin (mccutcheon)</p>	<p><b>DRIED / CANNED GOODS (continued)</b></p> <p>FROZEN MEAL: sheppards pie FROZEN SOUP: frozen stew BREAD: multigrain rye french manna (fruit/nut) whole wheat bun COOKIES: chocolate peanut butter macaroon MUFFINS: light bran low carb apple zuchinni oat raspberry BAKED SWEETS: berry crumble vegan goodie WRAPS: RICE CAKES: unsalted multigrain JAM: strawberry peach raspberry honey peanut butter (New tahini (New World hummus black bean dip ketchup (wild country) mustard (simply tamari (amano) olive oil flax oil (omega nutrition) miso gravv miso sauce black beans sauce thai peanut sauce PASTA SAUCE: tomato basil SALSA: medium Mild CANNED BEANS: black Kidney Garbanzo vegetarian chilli coconut milk apple juice Lemonade PASTA: brown rice spaghetti</p>	<p><b>DRIED / CANNED GOODS (continued)</b></p> <p>white spaghetti rigatoni salt (sea salt) CRACKERS: tamari garden veggie granola bars cookies (chocolate) CHOCOLATE: milk chocolate dark chocoalte with COFFEE: spices (10 kinds) teas packaged teas bulk cocoa powder hot chocolate dried apples dried apricots prunes dates</p>
<p><b>NECESSITIES</b></p>	<p>butter MILK: skim one percent eggs (large)</p>	<p><b>DRIED / CANNED GOODS (continued)</b></p>	<p><b>PRODUCE</b></p> <p>apples (earlicold) peaches (red haven lemons broccoli tomatoes (field #2) cucumbers (field) squash (summer) zucchini lettuce baby greens carrots (bunch) potatoe (russet sweet potatoe bananas avocado qarlic (white music ginger onions (walla walla</p>
<p><b>DRIED / CANNED GOODS</b></p>	<p>SOYMILK: vanilla regular YOGURT: plain french vanilla CHEESE: feta mozzarella cheddar brie TOFU: regular firm smoked SALAD DRESSING: ginger sesame sundried tomatoe raspberry vinegrette italian with roasted pepper bluberries frozen cookie dough</p>	<p><b>DRIED / CANNED GOODS (continued)</b></p>	<p><b>BODY CARE</b></p> <p>soap shampoo conditioner deoderant toothpaste dishwashing liquid laundry detergent toilet paper tampons sanitary napkins lip balm cough drops</p>

Exhibit 6 – SUB food outlets

**Student Union Building (SUB)**

Snack Attack	Gourmet hot dogs and a variety of 'hot wrap' items
Honour Roll	Maki rolls, nigiri sushi, bento boxes and Donburi rice bowls
The Moon	Noodle and wonton soups
Pie R Square	Pizza
Pendulum	Sit down restaurant. Sandwiches, soups, salads, pasta and vegetarian dishes
Pit Pub	Draft beer and sandwiches
Pit Burger Bar	Burgers, onion rings, belgian fries
The Deli	Bread, snacks, veggie
Pizza pizza	Pizza
Subway	Sandwiches
Espresso	Coffee and tea
A&W	Hamburgers and root beer
Mandarin Wok	Chinese noodles
Koya Wok	Chinese noodles and salads
Bernoulli's Bagel	Montreal style bagels, sandwiches, salads
Blue Chip Cookies	Cookies, cakes, coffee
Gallery Lounge	Draft beer and snacks
Convenience Store	Snacks, candy, drinks, newspapers, magazines, etc.
AMS Outdoor BBQ	Grilled burgers and veggie burgers (summer time)

**Vancouver-Close proximity to campus**

Grandville Island	
Produce	Variety of organic foods and products
Choices Market	Variety of organic foods and products
Caper's Market	Variety of organic foods and products
New Apple Farm	Variety of organic foods and products

Point Grey has numerous places where people can get organic food. Grandville Island Produce located at The Village offers a limited variety of organic and fair trade foods. Other organic food markets around campus include Choice Market on 16<sup>th</sup>, Capers on 4<sup>th</sup> and New Apple Farm market on 4<sup>th</sup>. A Safeway supermarket exists on 10<sup>th</sup> and there is another one planned to open on the south of the Campus in 2006. These mass outlets have a greater variety of products but Sprouts is more convenient option for the UBC community.

The SUB mainly offers a variety of fast food stores and coffee shops. See Exhibit X. Some outlets serve organic items however Sprouts has an advantage over them because they offer a wider variety of products. Furthermore, Sprouts is a community base initiative providing awareness and information about sustainable food systems.

Exhibit 7 Gross profit composition

GROSS PROFIT ON CASH SALES, OCTOBER	Gross profit		Average mark-up	Area used, square feet					Gross profit per sq. foot
		% total		Shelves	Fridge	Freezer	Total	% total	
Cakes and wraps	\$378.60	19.6%	37%	3.0	1.9	-	4.9	2.0%	\$78.03
Nuts, seeds, and fruits	\$313.83	16.3%	46%	8.7	1.9	-	10.5	4.3%	\$29.82
Fruit	\$131.62	6.8%	27%	14.7	-	1.2	15.9	6.5%	\$8.29
Packaged snacks	\$98.41	5.1%	28%	42.3	-	-	42.3	17.3%	\$2.33
Chocolate snacks	\$90.47	4.7%	17%	2.8	-	-	2.8	1.2%	\$32.09
Yoghurt and ice cream	\$57.52	3.0%	33%	-	0.7	1.7	2.4	1.0%	\$23.67
<b>Snacks and convenience foods</b>	<b>\$1,070.45</b>	<b>55.5%</b>	36%	71.5	4.4	2.9	78.8	32.2%	\$13.59
Cereals	\$140.79	7.3%	42%	8.6	-	-	8.6	3.5%	\$16.43
Tea, coffee, and cocoa	\$114.71	5.9%	23%	22.4	-	-	22.4	9.2%	\$5.13
Non-dairy protein	\$51.16	2.7%	34%	-	2.8	1.2	3.9	1.6%	\$13.00
Juices	\$40.80	2.1%	46%	2.8	1.4	-	4.2	1.7%	\$9.70
Spreads and dips	\$38.85	2.0%	26%	8.5	-	-	8.5	3.5%	\$4.59
Bread	\$33.93	1.8%	34%	5.8	-	-	5.8	2.4%	\$5.83
Canned food	\$31.50	1.6%	38%	8.5	-	-	8.5	3.5%	\$3.72
Milk, butter, and soymilk	\$28.30	1.5%	16%	5.6	1.9	-	7.5	3.1%	\$3.78
Sugar	\$18.67	1.0%	40%	1.3	-	-	1.3	0.5%	\$14.23
Cheese	\$15.11	0.8%	15%	-	2.1	-	2.1	0.9%	\$7.26
Frozen meals	\$11.25	0.6%	38%	-	-	3.5	3.5	1.4%	\$3.24
<b>Simple self-catering</b>	<b>\$525.07</b>	<b>27.2%</b>	32%	63.4	8.1	4.6	76.2	31.2%	\$6.89
Grains	\$92.12	4.8%	52%	7.4	-	-	7.4	3.0%	\$12.38
Pasta	\$41.22	2.1%	72%	4.5	-	-	4.5	1.8%	\$9.15
Sauces and dressings	\$36.00	1.9%	26%	15.0	-	-	15.0	6.2%	\$2.39
Vegetables	\$32.49	1.7%	6%	23.3	-	-	23.3	9.6%	\$1.39
Condiments and spices	\$28.76	1.5%	33%	6.6	0.9	-	7.5	3.1%	\$3.83
Beans	\$17.04	0.9%	26%	4.3	-	-	4.3	1.7%	\$4.01
Baking products	\$16.56	0.9%	25%	5.6	-	-	5.6	2.3%	\$2.94
<b>Home cooking</b>	<b>\$264.19</b>	<b>13.7%</b>	25%	66.8	0.9	0.0	67.7	27.7%	\$3.90
Health supplements	\$28.94	1.5%	28%	5.3	-	-	5.3	2.2%	\$5.48
Hygiene and cleaning	\$34.17	1.8%	37%	6.6	-	-	6.6	2.7%	\$5.18
Kitchenware	\$6.82	0.4%	11%	2.8	-	-	2.8	1.2%	\$2.42
<b>Other products</b>	<b>\$69.93</b>	<b>3.6%</b>	28%	14.7	0.0	0.0	14.7	6.0%	\$4.76
Unused space				3.8	3.2	2.9	7.0	2.9%	\$0.00
<b>GRAND TOTAL</b>	<b>\$1,929.64</b>	<b>100.0%</b>	33%	220.2	16.7	10.4	244.4	100.0%	\$7.90

Source: Gross profits calculated by Team 22 from data provided by Sprouts. Not all data available.  
Areas as of December 1st. Shelves include cooler cabinet.  
Italics: Team 22 estimate. "Open price" items (other than farm produce) assumed sold at cost.  
Variable costs of bags and labelling not included.

Exhibit 8 Balance Sheet & Break Even

"SPROUTS" BALANCE SHEET

Units: Canadian dollars	Oct-04
Cash in hand and in bank	3,819
Receivables	799
Inventory	6,134
Store equipment	9,655
<b>Total assets</b>	<b>20,407</b>
Trade accounts payable	275
Credit line from AMS, total used	17,126
<b>Total liabilities</b>	<b>17,401</b>
Owners' funds	3,006
<b>Total liabilities and members' funds</b>	<b>20,407</b>

BREAKEVEN ANALYSIS

Units: Canadian dollars	Current	March
Fixed costs, 20-day month	2,779	3,233
Contribution margin ratio	26.1%	27%
Breakeven sales level	10,648	11,974

Exhibit 9 Income Statement

"SPROUTS" INCOME STATEMENT

Units: Canadian dollars	Sep-04	Oct-04	Nov-04 E	Dec-04 E	Jan-05 E	Feb-05 E	Mar-05 E	Apr-05 E	May-05 E
Days store open	12	20	20	8	20	15	21	21	16
Cash sales	-	8,470							
Credit sales and other	-	1,352							
<b>Sales</b>	<b>6,856</b>	<b>9,822</b>	<b>13,700</b>	<b>6,000</b>	<b>14,000</b>	<b>11,500</b>	<b>16,900</b>	<b>17,200</b>	<b>13,300</b>
COGS	(5,535)	(7,340)	(10,207)	(4,470)	(10,360)	(8,395)	(12,337)	(12,384)	(9,576)
<b>Gross profit</b>	<b>1,321</b>	<b>2,482</b>	<b>3,494</b>	<b>1,530</b>	<b>3,640</b>	<b>3,105</b>	<b>4,563</b>	<b>4,816</b>	<b>3,724</b>
Gross margin (%)	19%	25%	26%	26%	26%	27%	27%	28%	28%
Salaries and wages*	(2,589)	(1,934)	(1,980)	(792)	(1,980)	(1,485)	(2,508)	(2,508)	(1,911)
Employee benefits	(194)	(233)	(198)	(79)	(198)	(149)	(255)	(255)	(194)
Office expenses	(157)	(133)	(190)	(97)	(190)	(151)	(198)	(198)	(159)
Store expenses	(633)	(178)	(70)	(70)	(70)	(70)	(70)	(70)	(70)
Advertising and promotion	(272)	-	(100)	(100)	(400)	(100)	(100)	(100)	(100)
Depreciation	(126)	(166)	(166)	(166)	(166)	(166)	(166)	(166)	(166)
Other	(186)	-	(75)	(75)	(75)	(75)	(75)	(75)	(75)
<b>SG&amp;A</b>	<b>(4,157)</b>	<b>(2,643)</b>	<b>(2,779)</b>	<b>(1,379)</b>	<b>(3,079)</b>	<b>(2,196)</b>	<b>(3,372)</b>	<b>(3,372)</b>	<b>(2,676)</b>
<b>Operating profit/(loss)</b>	<b>(2,836)</b>	<b>(162)</b>	<b>715</b>	<b>151</b>	<b>561</b>	<b>909</b>	<b>1,191</b>	<b>1,444</b>	<b>1,048</b>
Extraordinary income/(losses)	0	(166)	(500)						
<b>Net profit/(loss)</b>	<b>(2,836)</b>	<b>(328)</b>	<b>215</b>	<b>151</b>	<b>561</b>	<b>909</b>	<b>1,191</b>	<b>1,444</b>	<b>1,048</b>
Implied underlying growth rate			39%	9%	-7%	10%	5%	2%	2%

\* Excludes wages formerly paid to educational staff.

Start of promotional campaign

New paid employee hired

Exhibit 10 Cash Flow Statement & Balance Sheet

"SPROUTS" CASHFLOW FORECAST

Underlying sales growth, YoY: 2% 2%

Units: Canadian dollars	Sep-04	Oct-04	Nov-04 E	Dec-04 E	Jan-05 E	Feb-05 E	Mar-05 E	Apr-05 E	May-05 E	FYE 06	FYE 07
Days store open	12	20	20	8	20	15	21	21	16	153	153
Net profit/(loss)	-2,836	-328	215	151	561	909	1,191	1,444	1,048	10,700	10,800
Depreciation	126	166	166	166	166	166	166	166	166	1,992	1,992
Working capital change (worst case)	-2,000	1,088	-2,629	-881	678	-904	-517	-194	-165	-225	-230
Extraordinary losses/(profits)	0	166	500	0	0	0	0	0	0	0	0
<b>Operating cash flow</b>	<b>-4,710</b>	<b>1,092</b>	<b>-1,749</b>	<b>-565</b>	<b>1,405</b>	<b>171</b>	<b>840</b>	<b>1,416</b>	<b>1,049</b>	<b>12,467</b>	<b>12,562</b>
Capital investment	7,560	3,000	0	0	300	0	0	0	0	0	0
Grants and donations			6,000								
Credit line increase	13,218	3,908	-6,251	-0	0	-0	-0	0	0	-10,874	0
<b>Net cash flow</b>	<b>948</b>	<b>2,000</b>	<b>-2,000</b>	<b>-565</b>	<b>1,105</b>	<b>171</b>	<b>840</b>	<b>1,416</b>	<b>1,049</b>	<b>1,593</b>	<b>12,562</b>

BALANCE SHEET FORECAST

Purchase of soup kettle

Cash in hand and in bank	3,819	1,819	1,254	2,359	2,530	3,370	4,786	5,835	7,427	19,989
Receivables	799	1,115	1,220	1,139	1,247	1,309	1,333	1,352	1,376	1,401
Inventory (future projections: worst case)	6,134	8,556	9,368	8,744	9,576	10,052	10,231	10,383	10,568	10,755
Store equipment	9,655	9,489	9,323	9,457	9,291	9,125	8,959	8,793	6,801	4,809
<b>Total assets</b>	<b>20,407</b>	<b>20,978</b>	<b>21,165</b>	<b>21,698</b>	<b>22,644</b>	<b>23,856</b>	<b>25,308</b>	<b>26,363</b>	<b>26,172</b>	<b>36,954</b>
Trade accounts payable	275	384	420	392	429	451	459	465	474	482
Credit line from AMS, total used	17,126	10,875	10,874	10,874	10,874	10,874	10,874	10,874	0	0
<b>Total Liabilities</b>	<b>17,401</b>	<b>11,258</b>	<b>11,294</b>	<b>11,266</b>	<b>11,303</b>	<b>11,325</b>	<b>11,333</b>	<b>11,340</b>	<b>474</b>	<b>482</b>
Owners' funds	3,006	9,720	9,871	10,432	11,341	12,532	13,975	15,024	25,698	36,472
<b>Total liabilities and owners' funds</b>	<b>20,407</b>	<b>20,978</b>	<b>21,165</b>	<b>21,698</b>	<b>22,644</b>	<b>23,856</b>	<b>25,308</b>	<b>26,363</b>	<b>26,172</b>	<b>36,954</b>

NB: Apart from the October balance sheet figures, historic numbers include Team 22 assumptions.

Exhibit 11 – Target survey samples

Survey Type	Population	# of respondents	Live on or off campus	Students status	Cooking
Face to Face	SUB	59	On and Off	Under, grad, and staff	Yes and No
Online survey	St. John Residents	31	On	Undergraduate and graduate	No
	Club members	31	On and Off	Undergraduate and graduate	Yes and No
	MBA students	45	On and Off	Graduate	Yes and No

Exhibit 12 - Survey results

		Heard before		What the campus populations want to buy?		Where do they live? (On or Off campus)		Gender	
		Yes	77.71%	Yes	56.59%	Fresh Products	66.67%	On-	34.88%
No	22.29%	No	43.41%			Off-	65.12%	Male	50.00%
				Snacks	54.26%	On-	27.14%	Female	60.00%
						Off-	72.86%	Male	40.00%
				Ingredients	40.31%	On-	40.38%	Female	65.38%
						Off-	59.62%	Male	34.62%
				Vegetarian Food	39.53%	On-	43.14%	Female	60.78%
						Off-	56.86%	Male	39.22%
				Delicatessen	34.11%	On-	31.82%	Female	54.55%
						Off-	68.18%	Male	45.45%

Exhibit 13 - Sales in the Sep. 2004 – May 2005

	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05
Open days	12	20	20	8	20	15	21	21	16
Total sales(\$)	6,856	9,822	13,700	6,000	14,000	11,500	16,900	17,200	13,300
Sales adjusted in 20 days(\$)	11,426	9,822	13,700	15,000	14,000	15,333	16,095	16,381	16,625
Real growth rate		-14%	39%	9%	-7%	10%	5%	2%	1%

Exhibit 14 - Estimated sales over the next three years (\$)

Sep. 2004 - May 2005	Sep. 2005 - May 2006	Sep. 2006 - May 2007
109,277	111,463	113,692

Exhibit 15 - The sales percentages of total sales from Sep. to Nov of 2004

Department	Sep.	Percentage	Oct. (cash sales only)	Percentage	Average percentage	Growth Rate
Bulk Food	\$ 1,529.66	22.3%	\$1,909.67	22.5%	22.4%	24.8%
Shelf Foods	\$2633.66	38.4%	\$2807.26	33.1%	35.8%	6.6%
Produce	\$996.79	14.5%	\$664.38	7.8%	11.2%	-33.3%
Dairy	\$604.06	8.8%	\$752.29	8.9%	8.8%	24.5%
Body Care	\$284.58	4.2%	\$275.10	3.2%	3.7%	-3.3%
Fair Trade	\$665.86	9.7%	\$1584.39	18.7%	14.2%	137.9%
Farm Food	\$141.08	2.1%	\$478.24	5.6%	3.9%	239.0%
Total	\$ 6,855.69	100.0%	\$ 8,471.33	100.0%	100.0%	23.6%

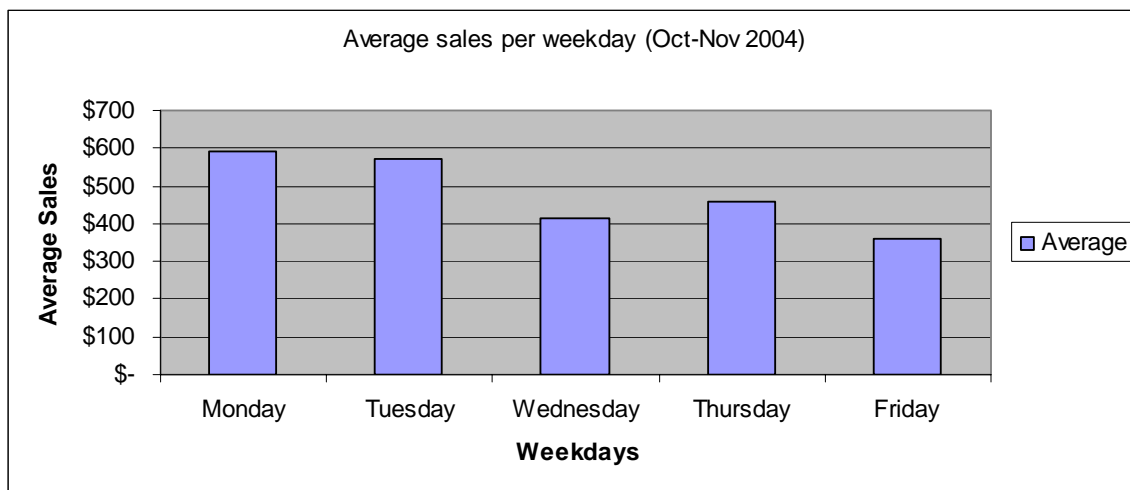
Exhibit 16 Past marketing activities

<ul style="list-style-type: none"> <li>• A vinyl banner which the store is in the process of obtaining permission to put up</li> <li>• Flyers in the Imagine Packages for 1<sup>st</sup> year students</li> <li>• An advertisement in the AMS agenda</li> <li>• Posters around campus and in residences</li> <li>• A monthly newsletter to all UBC Food Co-op members</li> </ul>	<ul style="list-style-type: none"> <li>• A news article in the UBC newspaper</li> <li>• Participation by Sprouts management as speakers in university events</li> <li>• A website linked to the UBC website (<a href="http://www.ams.ubc.ca/clubs/nfc/">www.ams.ubc.ca/clubs/nfc/</a>)</li> <li>• An e-mail to members asking for support</li> </ul>
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Exhibit 17 List of distributors

Distributors / Suppliers	Location	Type of products	
Pro Organics	Vancouver	<ul style="list-style-type: none"> <li>• Dairy products</li> <li>• Fresh produce</li> <li>• Eggs</li> <li>• Dried raisins</li> </ul>	<ul style="list-style-type: none"> <li>• Pasta, rice</li> <li>• Granola</li> <li>• Cereals</li> <li>• Popcorn</li> </ul>
Giva	Vancouver	<ul style="list-style-type: none"> <li>• Soya milk</li> <li>• Salad dressing</li> <li>• Condiments</li> <li>• Juice</li> </ul>	<ul style="list-style-type: none"> <li>• Crackers</li> <li>• Granola bars</li> <li>• Soap</li> <li>• Jam</li> </ul>
Cook Studio Café	Vancouver	<ul style="list-style-type: none"> <li>• Cookie dough</li> <li>• Frozen food</li> </ul>	<ul style="list-style-type: none"> <li>• Bread, buns</li> <li>• Cookies, muffins</li> </ul>
Just Us	Vancouver	<ul style="list-style-type: none"> <li>• Tea</li> </ul>	<ul style="list-style-type: none"> <li>• Tea packaged</li> </ul>
Lasiembra	Ottawa	<ul style="list-style-type: none"> <li>• Sugar</li> <li>• Hot chocolate and bars</li> </ul>	<ul style="list-style-type: none"> <li>• Cocoa powder</li> </ul>
Horizon	Vancouver	<ul style="list-style-type: none"> <li>• Frozen meals</li> <li>• Coconut milk</li> </ul>	<ul style="list-style-type: none"> <li>• Bath products</li> <li>• Cough drops</li> </ul>
Westpoint	Vancouver	<ul style="list-style-type: none"> <li>• Dried apples</li> </ul>	
The Daily Scoop	Vancouver	<ul style="list-style-type: none"> <li>• Ice cream</li> </ul>	<ul style="list-style-type: none"> <li>• Frozen yogurt</li> </ul>
Discovery Organics	Vancouver	<ul style="list-style-type: none"> <li>• Fresh produce</li> <li>• Rice &amp; lentils</li> </ul>	<ul style="list-style-type: none"> <li>• Pasta sauce &amp; cans</li> <li>• Rice cakes</li> </ul>
Canagreen		<ul style="list-style-type: none"> <li>• Grain, oats</li> <li>• Flour</li> </ul>	<ul style="list-style-type: none"> <li>• Pancake mix</li> <li>• Almond &amp; cashew</li> </ul>
Café Etico	Vancouver	<ul style="list-style-type: none"> <li>• Coffee</li> </ul>	
UBC Farm	Vancouver	<ul style="list-style-type: none"> <li>• Fresh produce</li> </ul>	
European Bakery	Vancouver	<ul style="list-style-type: none"> <li>• Bread</li> </ul>	

Exhibit 18 Average sales per weekday (October-November 2004)



## References

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<sup>1</sup> Tutunjian, Jerry. *Are organic products going mainstream?* Canadian Grocer. Toronto: September 2004

<sup>2</sup> Canada's Organic Industry, Agriculture and Agri-Food Canada, December 2003  
[http://ats-sea.agr.gc.ca/supply/3313\\_e.htm](http://ats-sea.agr.gc.ca/supply/3313_e.htm)

<sup>3</sup> Myers S., Rorie S., *Facts and Stats: The Year in Review*, Organic and Natural News December 2000

<sup>4</sup> Cunningham, R., *The Organic Consumer Profile: Not Only Who You Think It Is!*, April 2001, Alberta Agriculture Food And Rural Development.

<sup>5</sup> Planning and institutional research. University of British Columbia. December 2003 [www.pair.ubc.ca](http://www.pair.ubc.ca)





# Business Plan

Ruffo Díaz  
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# Organic Food Industry

- Socially responsible production
- No chemicals: pesticides, fertilizers, antibiotics or hormones
- Lower yields = higher costs
- Certification organizations  
Canadian Organic Advisory Board
- Products associated with a healthier life style and environmentally friendly

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# Industry Market Value

Year	Value (millions of dollars)	Growth
1998	394.7	-
1999	461.8	17.00%
2000	543.5	17.69%
2001	650.0	19.60%
2002	777.4	19.60%
2003	928.0	19.37%

**2005 : \$3.1 billion sales    20% growth**

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# Market Share by Outlet Type

- 1% of total food sales now
- Expected to grow to 10% by 2010

Type of Outlet	Share (%)	
<b>Mass Market Outlets</b>		<b>49</b>
Supermarkets	44	
Other (drug stores, mass merchandisers)	5	
<b>Health and Natural Product Stores</b>		<b>48</b>
Natural Food Supermarkets	31	
Natural Food Stores	12	
<u>Natural Food Cooperative</u>	<u>3</u>	
Supplements	2	
<b>Farmers Markets / Community Supported</b>		<b>3</b>



# Industry Highlights

- Highly competitive, growing industry
- British Columbia:
  - 13% of Canada's population
  - 30% of Canada's organic food consumers
- Competition through differentiation
- Consumer groups
  - Regular 18%
  - Occasional 22%

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# Sprouts

- Full-time organic and fair trade food store inaugurated in 2004
- UBC Food Co-op initiative
- UBC Farm relationship
- Strong support from Alma Mater Society (AMS)
  - Student Union Building (SUB) location
  - Free financing and free rent
- UBC campus sustainability project
- Not-for-profit, run and staffed by students
- Education center

# Two Issues

A background illustration featuring a blue and green globe. Several green leaves are attached to a brown branch that curves across the top and right sides of the globe. A small yellow and black bee is flying in the lower right corner, leaving a dashed white trail.

1. Large potential market on campus but the penetration has been slow
2. Low cost structure but concerned about sustainable operation

The logo for 'sprouts' features a small green sprout with three leaves growing from the top of the letter 'o'.  
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# UBC Population

- 42,000 students (full and part-time)
- 11,000 faculty and staff
- 8,000 visitors per day in SUB





# Competitors on Campus

- In the Village: (Granville Island Produce)
  - Limited range of organic and fair trade food, convenient for students
- Point Grey: (Capers, Choices Market)
  - Greater variety of products, but not convenient for students



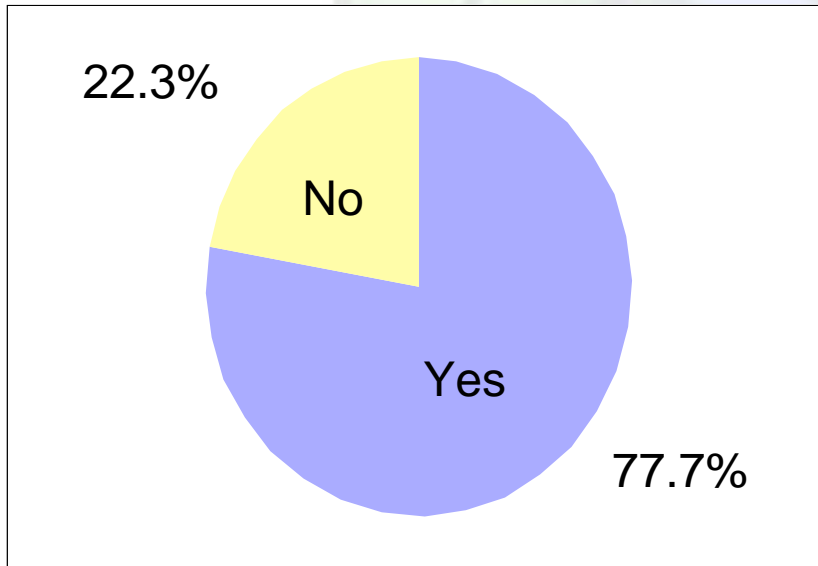
# Survey Method and Accuracy

Survey Type	Population	Number of respondents	Live on or off campus	Students status	Cooking
Face to Face	SUB	59	On and Off	Undergraduate, graduate and staff	Yes and No
Online survey	St. John Residents	31	On	Graduate	No
	Club members	31	On and Off	Undergraduate and graduate	Yes and No
	MBA students	45	On and Off	Graduate	Yes and No

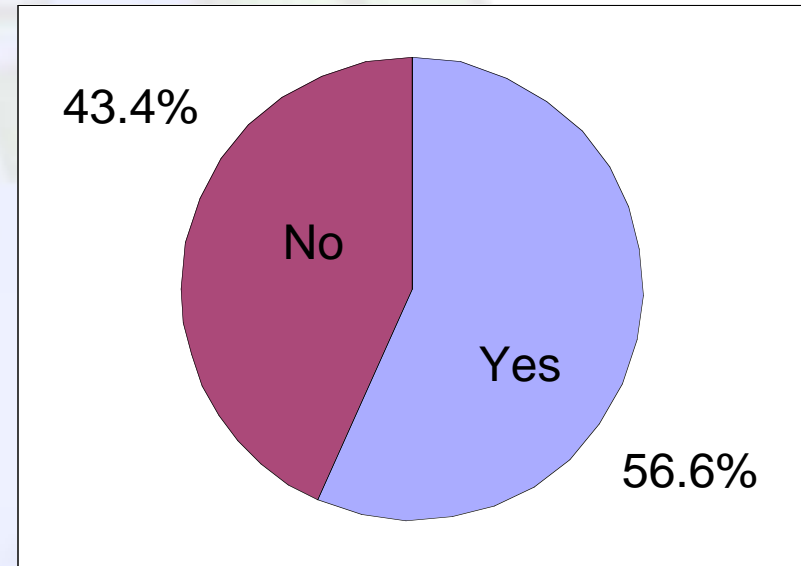
Margin of error  $E = \pm 7.76\%$  (95% confidence)

# Survey Results

Interested in organic food?



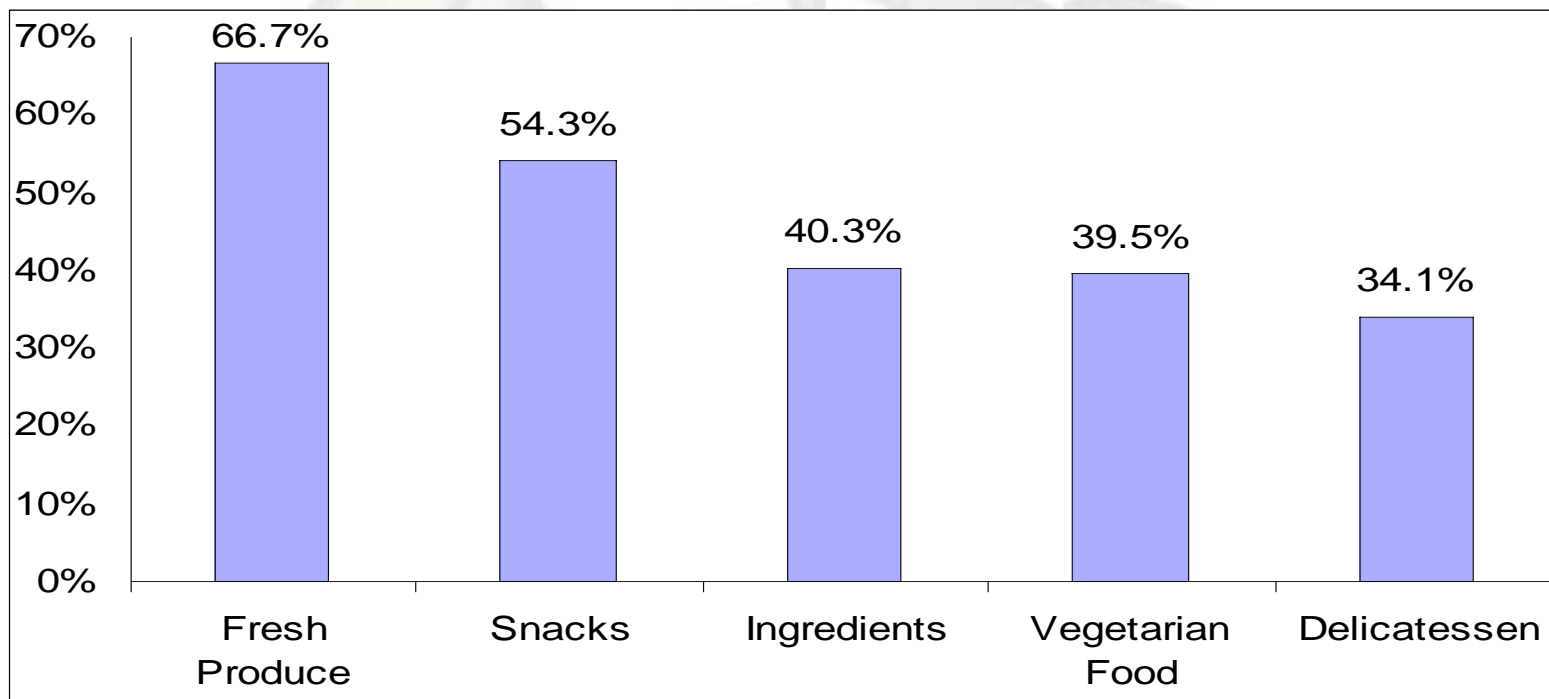
If interested, heard of Sprouts?



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# Survey Results (Cont.)

## Preferred Organic Categories



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# Marketing

A background illustration featuring a globe with green leaves and a yellow and black bee flying to the right, leaving a dashed trail.

Potential to attract customers:

- 1) Minimal marketing to date
- 2) UBC is a sizeable potential market

The logo for 'sprouts' features a small green sprout with three leaves growing from the top of the letter 'o'.  
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# Overall Marketing Strategy

- Needs to be inexpensive and simple
- The objective is a combination of profit, education, and community involvement
- Aim to capture niche customers who are interested in supporting small-scale, community-based, and socially conscious initiatives



# Target Market

- People who have an interest in organic and fair trade food who use the SUB
- People who have an interest and walk by the SUB regularly
- Includes staff and faculty



# Positioning

- Only 100% organic store on campus
- Position by attributes of products compared with competitors
- SUB mainly used for food
- Visits for snacks will lead to other purchases
- Information provided by friendly staff

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# Value Proposition

“Visit the only 100% organic and student run store on campus, supporting sustainable food systems and educating the public. We offer the convenience of the SUB and proximity to the bus loop for organic snacks, groceries, and a lifestyle.”



# Implementation Strategy

A background illustration featuring a globe with green continents and blue oceans. The globe is surrounded by several green leaves on a brown branch. A small yellow and black bee is flying to the right, leaving a dashed trail behind it.

- Place
  - Basement of SUB building
- Price
  - No pricing power
  - Must be competitive with other organic retailers

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# Implementation (Cont.)

- Product
  - Snacks, fresh produce, and convenience items
- Promotion
  - Broad promotion
  - “Blitz” as soon as possible
  - Repeat every year

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# Marketing Campaigns

## Campaign for Next Semester

1. Advertising
2. Class announcements
3. Signs and sandwich board



# Marketing Campaigns

## Year-Round Campaign

1. Educational events
2. Summer market at the UBC Farm
3. Sampling tables in high concentration areas



# Components of Gross Margin

## GROSS PROFIT ON CASH SALES, OCTOBER

	Gross profit		Average mark-up	Area used, square feet					Gross profit per sq. foot
		% total		Shelves	Fridge	Freezer	Total	% total	
Cakes and wraps	\$378.60	19.6%	37%	3.0	1.9	-	4.9	2.0%	\$78.03
Nuts, seeds, and fruits	\$313.83	16.3%	46%	8.7	1.9	-	10.5	4.3%	\$29.82
Fruit	\$131.62	6.8%	27%	14.7	-	1.2	15.9	6.5%	\$8.29
Packaged snacks	\$98.41	5.1%	28%	42.3	-	-	42.3	17.3%	\$2.33
Chocolate snacks	\$90.47	4.7%	17%	2.8	-	-	2.8	1.2%	\$32.09
Yoghurt and ice cream	\$57.52	3.0%	33%	-	0.7	1.7	2.4	1.0%	\$23.67
<b>Snacks and convenience foods</b>	<b>\$1,070.45</b>	<b>55.5%</b>	<b>36%</b>	<b>71.5</b>	<b>4.4</b>	<b>2.9</b>	<b>78.8</b>	<b>32.2%</b>	<b>\$13.59</b>
Cereals	\$140.79	7.3%	42%	8.6	-	-	8.6	3.5%	\$16.43
Tea, coffee, and cocoa	\$114.71	5.9%	23%	22.4	-	-	22.4	9.2%	\$5.13
Non-dairy protein	\$51.16	2.7%	34%	-	2.8	1.2	3.9	1.6%	\$13.00
Juices	\$40.80	2.1%	46%	2.8	1.4	-	4.2	1.7%	\$9.70
Other (total)	\$177.61	9.2%	30%	29.7	3.9	3.5	37.1	15.2%	\$4.79
<b>Simple self-catering</b>	<b>\$525.07</b>	<b>27.2%</b>	<b>32%</b>	<b>63.4</b>	<b>8.1</b>	<b>4.6</b>	<b>76.2</b>	<b>31.2%</b>	<b>\$6.89</b>
Grains	\$92.12	4.8%	52%	7.4	-	-	7.4	3.0%	\$12.38
Pasta	\$41.22	2.1%	72%	4.5	-	-	4.5	1.8%	\$9.15
Other (total)	\$130.85	6.8%	16%	54.8	0.9	-	55.8	22.8%	\$2.35
<b>Home cooking</b>	<b>\$264.19</b>	<b>13.7%</b>	<b>25%</b>	<b>66.8</b>	<b>0.9</b>	<b>0.0</b>	<b>67.7</b>	<b>27.7%</b>	<b>\$3.90</b>
<b>Other products (total)</b>	<b>\$69.93</b>	<b>3.6%</b>	<b>28%</b>	<b>14.7</b>	<b>0.0</b>	<b>0.0</b>	<b>14.7</b>	<b>6.0%</b>	<b>\$4.76</b>
Unused space				3.8	3.2	2.9	7.0	2.9%	\$0.00
<b>GRAND TOTAL</b>	<b>\$1,929.64</b>	<b>100.0%</b>	<b>33%</b>	<b>220.2</b>	<b>16.7</b>	<b>10.4</b>	<b>244.4</b>	<b>100.0%</b>	<b>\$7.90</b>

# Low Overheads

SG&A EXPENSES (NOV. BUDGET)		BREAKEVEN ANALYSIS		
			Current	March
Salaries and wages	1,980	Fixed costs, 20-day month	2,779	3,233
Employee benefits	198	Contribution margin ratio	26%	27%
Office expenses	190	<b>Breakeven sales level</b>	<b>10,648</b>	<b>11,974</b>
Store expenses	70			
Advertising and promotion	100			
Depreciation	166			
Other	75			
<b>Total</b>	<b>2,779</b>			

*Units: Canadian dollars*



# Planning Objectives

A background illustration featuring a blue and green globe of the Earth. Several green leaves are attached to a brown branch that arches over the globe. To the right of the globe, a small yellow and black bee is shown flying, leaving a dashed line trail behind it.

- Sustainable profitability and positive cash flow by end of year
- Steady state thereafter
- Don't outgrow premises

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# Forecast Income Statement

## SPROUTS INCOME STATEMENT

	Sep-04	Oct-04	Nov-04 E	Dec-04 E	Jan-05 E	Feb-05 E	Mar-05 E	Apr-05 E	May-05 E	FY 2004
Days store open:	12	20	20	8	20	15	21	21	16	153
<b>Sales</b>	<b>6,856</b>	<b>9,822</b>	<b>13,700</b>	<b>6,000</b>	<b>14,000</b>	<b>11,500</b>	<b>16,900</b>	<b>17,200</b>	<b>13,300</b>	<b>109,277</b>
COGS	(5,535)	(7,340)	(10,207)	(4,470)	(10,360)	(8,395)	(12,337)	(12,384)	(9,576)	(80,603)
<b>Gross profit</b>	<b>1,321</b>	<b>2,482</b>	<b>3,494</b>	<b>1,530</b>	<b>3,640</b>	<b>3,105</b>	<b>4,563</b>	<b>4,816</b>	<b>3,724</b>	<b>28,674</b>
Gross margin (%)	19%	25%	26%	26%	26%	27%	27%	28%	28%	26%
SG&A	(4,157)	(2,643)	(2,779)	(1,379)	(3,079)	(2,196)	(3,372)	(3,372)	(2,676)	(25,654)
<b>Operating profit/(loss)</b>	<b>(2,836)</b>	<b>(162)</b>	<b>715</b>	<b>151</b>	<b>561</b>	<b>909</b>	<b>1,191</b>	<b>1,444</b>	<b>1,048</b>	<b>3,020</b>
Extraordinary losses	0	(166)	(500)	0	0	0	0	0	0	(666)
<b>Net profit/(loss)</b>	<b>(2,836)</b>	<b>(328)</b>	<b>215</b>	<b>151</b>	<b>561</b>	<b>909</b>	<b>1,191</b>	<b>1,444</b>	<b>1,048</b>	<b>2,354</b>
Underlying sales growth rate			39%	9%	-7%	10%	5%	2%	2%	

Units: Canadian dollars



# Balance Sheet and Cash Flow

## "SPROUTS" CASHFLOW FORECAST

Underlying sales growth, YoY: **2%** **2%**

Units: Canadian dollars

	Sep-04	Oct-04	Nov-04 E	Dec-04 E	Jan-05 E	Feb-05 E	Mar-05 E	Apr-05 E	May-05 E	FYE06	FYE07
Days store open	12	20	20	8	20	15	21	21	16	153	153
Net profit/(loss)	-2,836	-328	215	151	561	909	1,191	1,444	1,048	10,700	10,800
Depreciation	126	166	166	166	166	166	166	166	166	1,992	1,992
Working capital change (worst case)	-2,000	1,088	-2,629	-881	678	-904	-517	-194	-165	-225	-230
Extraordinary losses/(profits)	0	166	500	0	0	0	0	0	0	0	0
<b>Operating cash flow</b>	<b>-4,710</b>	<b>1,092</b>	<b>-1,749</b>	<b>-565</b>	<b>1,405</b>	<b>171</b>	<b>840</b>	<b>1,416</b>	<b>1,049</b>	<b>12,467</b>	<b>12,562</b>
Capital investment	7,560	3,000	0	0	300	0	0	0	0	0	0
Grants and donations			6,000								
Credit line increase	13,218	3,908	-6,251	-0	0	-0	-0	0	0	-10,874	0
<b>Net cash flow</b>	<b>948</b>	<b>2,000</b>	<b>-2,000</b>	<b>-565</b>	<b>1,105</b>	<b>171</b>	<b>840</b>	<b>1,416</b>	<b>1,049</b>	<b>1,593</b>	<b>12,562</b>

## BALANCE SHEET FORECAST

Purchase of soup kettle

Cash in hand and in bank	3,819	1,819	1,254	2,359	2,530	3,370	4,786	5,835	7,427	19,989
Receivables	799	1,115	1,220	1,139	1,247	1,309	1,333	1,352	1,376	1,401
Inventory (future projections: worst case)	6,134	8,556	9,368	8,744	9,576	10,052	10,231	10,383	10,568	10,755
Store equipment	9,655	9,489	9,323	9,457	9,291	9,125	8,959	8,793	6,801	4,809
<b>Total assets</b>	<b>20,407</b>	<b>20,978</b>	<b>21,165</b>	<b>21,698</b>	<b>22,644</b>	<b>23,856</b>	<b>25,308</b>	<b>26,363</b>	<b>26,172</b>	<b>36,954</b>
Trade accounts payable	275	384	420	392	429	451	459	465	474	482
Credit line from AMS, total used	17,126	10,875	10,874	10,874	10,874	10,874	10,874	10,874	0	0
<b>Total Liabilities</b>	<b>17,401</b>	<b>11,258</b>	<b>11,294</b>	<b>11,266</b>	<b>11,303</b>	<b>11,325</b>	<b>11,333</b>	<b>11,340</b>	<b>474</b>	<b>482</b>
Owners' funds	3,006	9,720	9,871	10,432	11,341	12,532	13,975	15,024	25,698	36,472
<b>Total liabilities and owners' funds</b>	<b>20,407</b>	<b>20,978</b>	<b>21,165</b>	<b>21,698</b>	<b>22,644</b>	<b>23,856</b>	<b>25,308</b>	<b>26,363</b>	<b>26,172</b>	<b>36,954</b>

NB: Apart from the October balance sheet figures, historic numbers include Team 22 assumptions.

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# Loyalty Card Should Come Later

## CASH COST OF IMPLEMENTING STAMP CARD

<u>Co-op</u> <u>Members</u>	Current (average of Oct and Nov)			After promotion		
	Persons	Sales	Sales/member	Persons	Sales/member	New sales
<b>Core</b>	160	\$ 8,800	\$55.00	224	\$56.00	\$ 12,544
<b>Casual</b>	640	\$ 2,200	\$3.44	576	\$3.44	\$ 1,980
<b>New joiners</b>	-	-	-	80	\$3.44	\$ 275
	<hr/> 800	<hr/> \$ 11,000		<hr/> 880		<hr/> \$ 14,799
less: COGS		\$ (8,195)		less: COGS		\$ (11,784)
Gross profit		<hr/> \$ 2,805		Gross profit		<hr/> \$ 3,015
				<b>Net profit improvement</b>		<b>\$ 209</b>
				<b>less: Extra inventory</b>		<b>\$ (2,373)</b>
				Cash outflow:		<hr/> \$ (2,164)

*Assumes core members buy 10% more volume with average cost 7.5% lower.*

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# Concrete Financial Targets

In order to achieve financial security, Sprouts should ...

- Grow monthly sales 20%, and
- Increase its gross margin by 2 percentage points ...
- between now and May ...

... while controlling overhead costs.

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**Sprouts "20-2-May" Plan**

# Operations

- Operating cycle
  - Follow the academic calendar
  - Some produce is sold to (e.g. BC Farm)
- HR – Day care operations for sprouts
  - 3 paid managers @ 2hrs/week
  - 1 or 2 paid employees or volunteers
  - 1 high-school student (Katimavik program)
  - 20 other volunteers for food discount

Pure Fun!

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# Operations (Cont.)

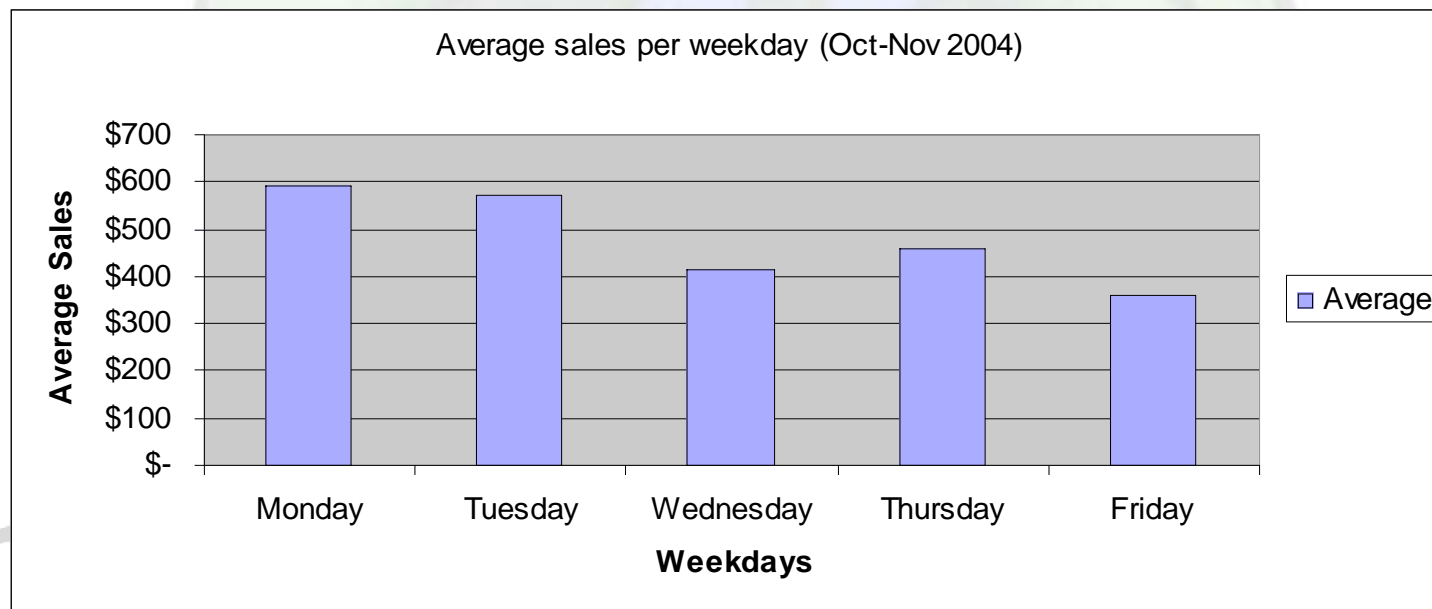
- Facilities
  - 400 sq. feet
  - Adequate for current demand
  - Potential 10% increase in inventory



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# Operations (Cont.)

- Inventory Management
  - Inventory replenished on weekly basis
  - Demand looks stochastic, but ...



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# Operations (Cont.)

- Cost Control
  - Simple procedures can reduce costs
    - A volunteer cultivates vegetables at the UBC farm
    - Order in large volume, divide and package items





# Operations (Cont.)

- Summary (Cont.)

- Must improve its demand forecasts
- Recommendations - 2 phases
  1. Continuous review system
    - Place orders when inventory level below reorder point. Maintain a min inventory to assess demand.
  2. "News Vendor" model
    - Based on the sales data from phase 1, determine the optimal stocking level (over vs. understocking)

# Risks

- Accuracy of market survey
- Surge in traffic after marketing campaign
- Equipment malfunction
- Safeway 2006
- Change in relationship with AMS
- Succession



# Summary of Recommendations

- Big marketing campaigns every January and September
- More high margin products such as nuts and fruits
- Bolster snack food range by offering hot snacks
- Monitor inventory daily to introduce News Vendor Model
- Do not attempt to grow by slashing prices
- To achieve financial security, increase sales by 20% and gross margin by 2 percentage points by May



# Conclusion

- Small but potentially very profitable
- Possible because of free rent and capital, and inexpensive labour

It is an attractive business!





  
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Survey questionnaire

1. Are you interested in organic food?

Yes\_\_\_ No\_\_\_

2. Have you heard of Sprouts, the organic/fair trade food store in the Student Union Building (SUB) at UBC?

Yes\_\_\_ No\_\_\_

3. If you would use an organic food store in the SUB, roughly how many times per week?

For ingredients for cooking:	0-1	1-2	2-3	3 or more
For general groceries:	0-1	1-2	2-3	3 or more
For snacks:	0-1	1-2	2-3	3 or more

4. How many days do you cook for yourself in a typical week?

0      0-1      1-2      2-3      3-4      4+

5. If you would use an organic food store in the SUB, assuming the price was right, which types of food would you like to buy there?

Fresh produce \_\_\_\_\_  
Bulk ingredients and dry food \_\_\_\_\_  
Delicatessen \_\_\_\_\_  
Snacks \_\_\_\_\_  
Vegetarian food \_\_\_\_\_  
Other (please suggest a food): \_\_\_\_\_

6. Do you live within walking distance of the main UBC campus?

Yes \_\_\_ No\_\_\_

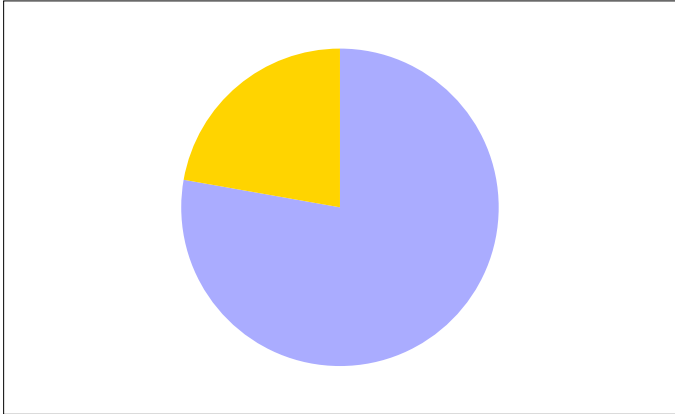
7. You are:

Female \_\_\_ Male\_\_\_  
Undergraduate\_\_\_ Graduate \_\_\_ Faculty \_\_\_ Other\_\_\_

## Sprouts: Survey Results

Response	Percentage	Category	Campus		Gender			
			On-	Off-	Female	Male		
Yes	77.7%	Heard before						
							Yes	56.6%
					No	43.4%		
			Fresh Produce	66.67%				
				On-	34.88%	Female	50.00%	
				Off-	65.12%	Male	50.00%	
			Snacks	54.26%				
				On-	27.14%	Female	60.00%	
				Off-	72.86%	Male	40.00%	
			Ingredients	40.31%				
			On-	40.38%	Female	65.38%		
			Off-	59.62%	Male	34.62%		
		Vegetarian Food	39.53%					
			On-	43.14%	Female	60.78%		
			Off-	56.86%	Male	39.22%		
		Delicatessen	34.11%					
			On-	31.82%	Female	54.55%		
			Off-	68.18%	Male	45.45%		
No	22.3%							
		Fresh Produce	66.7%					
		Snacks	54.3%					
		Ingredients	40.3%					
		Vegetarian Food	39.5%					
		Delicatessen	34.1%					

Interested in Organic Food? Yes 77.7%, No 22.3%



Heard of Sprouts? Yes 56.6%, No 43.4%

